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GEC joins Hughes to compete for UK missile contract

Hughes, the US missiles and electronics company, has recruited the UK's General Electric Company to its team competing for a £650m ($988m) UK cruise missile contract. The precise work GEC will undertake if Hughes wins the contract has not been decided, but Hughes said that it was likely to involve system electronics and testing. It would probably amount to about 10 per cent of the contract's value. Page 11

C&W acting chief rules out stake swap

Talks which could lead to a tripartite joint venture between Cable and Wireless of the UK, Veba of Germany, and Stet, the state-owned Italian telecoms group, should be completed within six months, Rod Olsen (left), C&W acting chief executive said. Mr Olsen rejected suggestions, however, that Stet, which holds a 52.5 per cent stake in Telecom Italia, would take an equity stake in C&W. Page 19

Juppé hints at tax breaks for hours cut: Prime Minister Alain Juppé held out the possibility of tax incentives to lure French employers into meeting union demands for cuts in working hours as a means of opening up new job slots. Page 3

Arrests in US over Chinese weapons: US Treasury agents have seized 2,000 AK-47 rifles and arrested seven representatives of two state-owned Chinese companies, charging them with having smuggled the weapons into the US for sale to American gangs. Page 5

N Korean pilot defects to South: A North Korean pilot flying a 1960s MiG-19 fighter aircraft defected to South Korea in the first such incident in 13 years. Page 7

Toyota profits up despite obstacles: Group net profit surged 47 per cent to Y256.9bn ($2.47bn) at Toyota, Japan's largest car maker, in spite of obstacles, including a sharp rise in the yen and international trade friction. Page 19

Hungary to sell off former Soviet bases: Hungary has announced plans to sell some of the bases the Soviet army left behind, almost five years after Moscow withdrew its last troops. Page 2

Euro 'could upset financial contracts': City of London banking and financial interests are pressing the European Commission to adopt regulations to prevent financial contracts such as long term swaps from being thrown into chaos by the introduction of the single European currency. Page 2

Star Wars revival in trouble: The US Republican party's attempt to revive President Ronald Reagan's missile defence system, popularly known as star wars, seems in deep trouble after a congressional conclusion that it would cost as much as 12 times the estimates of its proponents. Page 5

Tokyo fights 'European disease': Tokyo's top industrial policy makers have launched a campaign to alert Japan against catching what they see as the European disease: rising unemployment and an erosion of competitiveness caused by excessive business taxes and social security costs. Page 7

Mitsubishi Heavy posts 16% rise: Mitsubishi Heavy Industries, the largest of Japan's shipbuilding, defence equipment and general heavy engineering giants, reported record pre-tax profits for the year to end-March, up by 16 per cent on a year earlier to Y180.1bn ($1.68bn). Page 22

Matsushita, Japan's largest consumer electronics group, reported a decline in annual consolidated profits, but forecast a sharp recovery this year. Group turnover at the Osaka-based conglomerate fell 2 per cent to Y6,794.9bn ($63.5bn). Page 22

HK drops royal tradition: Hong Kong is dropping the Queen from its postage stamps, ending a 134-year-old tradition. Stamps to be issued early next year will feature Hong Kong's name in English and Chinese, and its skyline of mountains and skyscrapers.

Nigeria to free British schoolboy: The Nigerian foreign affairs ministry said it would release 13-year-old British schoolboy, John-Paul Mokulou, who has been held for a month after being arrested while visiting his father and other relatives.

England beats China in football friendly: The England football team scored a 3-0 victory over China in Beijing.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,768.55	(-11.45)
NASDAQ Composite	1,252.22	(+4.84)
Europe and Far East		
CAC40	2,114.45	(+10.96)
DAX	2,560.46	(+3.59)
FT-SE 100	3,747.0	(-17.2)
Nikkei	21,724.08	(-233.92)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.108%
Long Bond	99⅜
Yield	6.837%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	98¼	(98⅛)
France: 10 yr OAT	105.86	(105.54)
Germany: 10 yr Bund	96.74	(96.54)
Japan: 10 yr JGB	98.4243	(98.2479)

NORTH SEA OIL (Argus)

Brent Dated	$19.65	(19.515)

GOLD

New York: Comex	$391.8	(392.0)
London: close	$391.60	(391.45)

DOLLAR

New York: lunchtime		
£	1.5125	
DM	1.5425	
FFr	5.2230	
SFr	1.2695	
Y	106.805	
London:		
£	1.5126	(1.5102)
DM	1.5405	(1.5357)
FFr	5.2158	(5.2124)
SFr	1.2635	(1.2655)
Y	106.775	(106.95)

STERLING

DM	2.3301	(2.3236)
Tokyo close:	Y 106.95	

Kohl braced for fight on austerity measures

Unions and opposition to attack savings package

By Judy Dempsey in Bonn and Andrew Fisher in Frankfurt

The German government was bracing itself last night for a two-pronged attack on its tough savings package.

Public sector workers yesterday angrily rejected a pay offer and opposition political parties accused the conservative ruling coalition of dismantling the social welfare state.

OTV, the big public sector trade union, said the wage talks had collapsed and called the employers' offer "unacceptable and provocative".

The employers, headed by Mr Manfred Kanther, interior minister, had offered the 3.2m public sector workers a 20-month package with a one-off payment of 0.5 per cent of wages for the first 12 months and a 1 per cent pay rise for the remaining period.

This compared with a 4.5 per cent pay claim for 12 months submitted by the unions.

Both sides called for arbitration, which would bind unions to a suspension of the warning strikes that have disrupted transport, rubbish, postal and other services in recent days. But some workers took to the streets again yesterday to express anger at the government's offer.

The combined union and opposition attack on the government's policy will prove a big test for Mr Helmut Kohl, the German chancellor, who is currently in the US.

In an effort to revive the economy and create jobs, Mr Kohl appears determined to push through measures aimed at raising the retirement age, cutting long-term sickness benefits and giving employers more rights to dismiss employees.

The planned social welfare cutbacks will total DM70bn ($46bn).

Officials from Mr Kohl's Christian Democrat-led coalition yesterday said they believed the government would stick to its economic policies, particularly as it was anxious to meet the Maastricht criteria for European economic and monetary union. Mr Kohl also has a political advantage: there are no state elections – with one exception – until the general election in 1998.

The austerity package was given its first reading in the German parliament yesterday.

Mr Michael Glos, parliamentary leader of the Christian Social Union, the Christian Democrats' sister party, said the government was not turning Germany into a "hire-and-fire" economy. "But compared with our competitors we have the shortest working hours, the longest holidays and the highest welfare contributions," he said.

Mr Rudolf Dressler, social affairs spokesman for the opposition Social Democrats (SPD), said that, far from creating jobs, the reforms would endanger them by making it harder for young people to enter the job market and harder for older people to leave it. The government plans to reduce sick pay to 80 per cent of full pay and increase the pension age for women from 60 to 65.

Mr Rudolf Scharping, the SPD parliamentary leader, also rounded on the government's recent draft tax legislation which envisages scrapping the wealth tax and increasing inheritance tax allowances. He said these measures would favour the rich while the less well-off would be faced with a freeze in child benefit allowances and unemployment pay.

Editorial Comment, Page 17

Clinton and Kohl hold 'bratwurst' summit

US president Bill Clinton (right) greets Helmut Kohl as the German chancellor arrives for a summit in Milwaukee. US electoral politics were much in evidence at their meeting in the American-German stronghold famous for its beer and bratwurst. Sausage summit, Page 5 Picture: AP

UK blocks insolvency convention in EU beef ban protest

By George Parker in London, Caroline Southey in Brussels and John Kampfner in Rome

Mr Malcolm Rifkind, the UK foreign secretary, yesterday claimed his government's policy of disrupting European Union business was "already biting", after the UK blocked an insolvency convention which would have helped British business.

He admitted Britain's tough stance over beef could lead to it vetoing helpful measures, but warned that the non-co-operation policy could last three months or even longer.

Further details of the government's strategy were hammered out yesterday at a 40-minute meeting of the small cabinet committee overseeing the beef issue, headed by Mr John Major, the prime minister.

Mr Rifkind said ministers had decided to block all EU measures requiring unanimity, except those of a trivial nature.

There would be a "very strong presumption" against making any exceptions, and ministers would have to seek cabinet approval if they wanted to stray from the policy.

He also confirmed details of a diplomatic offensive to get Britain's tough message on beef across to its European partners – a move which many EU officials believe the UK should have started weeks ago.

Mr Rifkind and Mr Douglas Hogg, agriculture minister, will visit European capitals to meet senior ministers following the European agriculture council meeting in a couple of weeks.

Among the measures blocked yesterday were the insolvency convention and three proposals which required unanimity at a council of ministers meeting on civil protection.

EU diplomats pointed out that Britain had always opposed the measures which were aimed at improving and extending emergency planning for civil disasters such as forest fires and floods. Germany and the Netherlands had also voted against one of the proposals.

Member states had been notified that yesterday was the deadline for signing the insolvency convention. An EU official said: "This does not mean the convention is dead although it will probably be delayed."

British officials also served notice that the UK government

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Difficulty of lifting ban, Page 8
Far beyond a joke, Page 16

Markets tremble as manager of Magellan Fund resigns

By Maggie Urry in New York

Mr Jeffrey Vinik, the high-profile manager of America's largest mutual fund, Fidelity Investments' Magellan Fund, quit abruptly yesterday, sending a tremble through north American securities markets.

The Magellan Fund has $56bn in assets and is closely watched by Wall Street.

Amid speculation that he had been forced out, Mr Vinik said he was to set up his own investment firm.

Although a good performer for many years, the fund's recent yield has been poor, following a shift late last year by Mr Vinik. He sold the fund's heavy weighting in technology stocks and invested in Treasury bonds and cash.

Mr Vinik, 37, has also been the subject of critical articles suggesting he was under investigation by the Securities and Exchange Commission, allegations denied by Fidelity. Unusually the SEC itself said there were inaccuracies in one particularly damaging report.

Mr Edward Johnson III, Fidelity chairman and head of the family which owns nearly 50 per cent of the private firm's voting stock, denied yesterday's speculation. He said: "We are very sorry to see Jeff leave."

In a prepared statement, Mr Vinik said: "My 10 years at Fidelity have been very rewarding. But I have always hoped that some day I might have the opportunity to run my own money management firm."

Mr Vinik will be joined at his new firm by Mr Michael Gordon, manager of Fidelity Retirement Growth Fund, and Mr William Copeland, a senior technical analyst at Fidelity. The firm will cater to high net-worth individuals and institutions.

Mr Robert Stansky will take over as manager of the Magellan fund on June 3. Mr Vinik will stay until the end of June. A further shuffle of managers includes the promotion of Ms Abigail Johnson, the chairman's daughter and the family member seen as most likely to succeed him.

Stock and bond markets were concerned that investors could redeem their Magellan holdings, causing the fund to sell some of its holding, or that the new manager would change the fund's strategy again.

Three-quarters of the fund's assets represent retirement money, which is regarded as long-term and unlikely to move rapidly. The fund's cash holdings amounted to 10 per cent of assets at the end of March, and redemptions are unlikely to be that significant.

Even so, the share prices of eight of Magellan's 10 largest equity investments fell, with Caterpillar, the earth-moving company, dropping $1⅛ to $67⅞, and Digital Equipment, the computer group, falling $1⅞ to $52⅝. Bond prices were also weaker.

Mr William Hayes, director of equities at Fidelity, said Mr Vinik had told them of his plan to leave "in the last week or so".

At present Mr Vinik is not planning to set up a mutual fund, but if he did that in the future, Mr Hayes said, "he would be an outstanding competitor".

Magellan in public gaze, Page 23

Berlusconi plans to ringfence Mediaset

By Andrew Hill in Milan and Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian premier, plans to offer potential investors in his media business protection from any possible fiscal implications of the judicial inquiries into Fininvest, his private holding company.

The move is part of a concerted effort by managers and advisers of Mediaset, the media subsidiary which Mr Berlusconi plans to float on the Milan stock exchange next month, to ringfence the company from the judicial investigations.

Milan magistrates issued arrest warrants last week for seven employees or former employees of Fininvest. They were suspected of being linked to alleged falsification of the holding company's accounts.

The deepening legal inquiry threatens to upset the planned L7,000bn ($4.5bn) flotation of Mediaset, which owns Italy's three largest commercial television channels and its biggest television advertising company.

Fininvest wants to reduce its stake in Mediaset from about 70 per cent to below 50 per cent.

Consob, Italy's financial markets watchdog, is examining Mediaset's draft prospectus and is expected to decide before the end of next week whether to allow the listing to proceed. The Mediaset investment roadshow is due to start in Milan on June 5.

Mr Fedele Confalonieri, the chairman of Mediaset and Fininvest, insisted yesterday that the proposed sale of around 20 per cent of the company to institutional and retail investors would go ahead.

Prof. Ennio Amodio, Mr Berlusconi's principal criminal lawyer, claimed Mediaset was "insulated" from the investigations.

He said Mr Berlusconi and Fininvest managers were ready to meet magistrates to explain why the operations which prompted last week's arrests were in fact legitimate transactions using overseas companies to purchase film and television rights.

Neither Fininvest nor Mediaset would confirm the detail of the guarantee to Mediaset shareholders.

But it is understood to extend to new investors the indemnities granted to minority shareholders including Kirch, the German media group, Nethold, controlled by the Rupert family, and Prince al-Waleed bin Talal bin Abdul of Saudi Arabia.

Under such a clause, Fininvest would take on the burden of any back-payments of tax if any allegations of tax evasion were

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Albania LEK220 Austria Sch30 Bahrain Din1.250 Belgium BFr75 Bulgaria Lev30.00 Cyprus C£1.20 Czech Rp Kc50 Denmark DKr15 Egypt E£5.00 Estonia EK22 Finland FM15.00 France FFr11.50 Germany DM4.00 Greece Dr400 Hong Kong HK$30 Hungary Ft230 Iceland IKr230 India Rs75 Israel Shk7.50 Italy L3200 Japan Y500 Jordan JD1.50 Kuwait Fils650 Lebanon US3.00 Lithuania Lita 15.00 Lux LFr75 Malta Lm0.85 Morocco MDH16 Neth Fl 4.75 Nigeria Naira60 Norway NKr20 Oman OR1.50 Pakistan Rs40 Poland Zl 5.50 Portugal Esc350 (mainland) Qatar QR13.00 S.Arabia SR12 Singapore S$4.30 Slovak Rp Sk65 S. Africa R12.00 Spain Pta250 Sweden SKr20 Switz SFr3.70 Syria S£65.00 Tunisia Din1.750 Turkey L90,000 UAE Dh12.00

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Euro 'could upset financial contracts'

By George Graham, Banking Correspondent

City banking and financial interests are pressing the European Commission to adopt regulations to prevent financial contracts such as long term swaps from being thrown into chaos by the introduction of the single European currency.

Members of a City working party agreed yesterday on a draft regulation they believe would provide the necessary certainty that contracts will remain in force when the currencies they were originally denominated in are superseded by the euro.

The draft is expected to be presented to the Commission next week.

Many contracts include some form of "force majeure" clause, terminating the arrangements if unforeseen events make it impossible for either side to fulfil its obligations, or radically alter the nature of them.

A nimble lawyer could readily argue that the substitution of the euro for the D-mark or the Belgian franc constituted force majeure.

The draft regulation proposed by the City working group would make it clear that the force majeure provisions would not be triggered by the introduction of the single currency, unless the parties had specified in their contract that they should be.

"Every national currency or ecu would now be settled in ecu, unless otherwise stated in the contract," said one member of the coalition.

The Commission last year appeared inclined to leave the issue to each country's legislation, but the Madrid summit in December suggested a regulation passed by the European Council would be needed.

"Unless we have a regulation, it will be left to the discretion of judges in different jurisdictions," one lawyer said.

"It's terribly important we get this right," added Mr Tim Sweeney, director general of the British Bankers' Association.

Many swap contracts state disputes will be heard in New York, so an EU regulation may not be enough, although New York judges might take note of what European law said about the euro, they would not be obliged to follow it.

"It may well be necessary to seek to amend New York law," one London lawyer said.

The associations involved in the coalition, which includes groups such as the International Swaps and Derivatives Association, the International Primary Markets Association, the London Investment Banking Association and the British Bankers' Association, have already made contact with New York lawyers.

The City coalition has approached the problem from the viewpoint of the wholesale financial markets, where the arrival of the euro has obvious implications for contracts such as currency swaps.

But interest rate contracts could also be affected. Because the euro is a composite, euro interest rates are likely to be higher than those of hard currencies such as the guilder, and lower than those of softer currencies.

A guilder borrower could therefore argue the conditions of his contract had been unfairly altered by the changeover.

The same problem could also affect individuals with fixed rate mortgages, especially in countries such as Germany, where fixed contracts may not be broken.

A regulation securing the continuity of contracts could, therefore, run into consumer interests in some countries.

The working group is now trying to expand its coalition to involve retail financial groups both in the UK and in other EU countries.

The issue does not necessarily pit borrowers against lenders. The Association of Corporate Treasurers, for example, has backed the coalition's draft and asked to join the working group for future work.

One central issue is which article of the EU treaties the Commission uses as its authority for the regulations.

The Maastricht treaty provides a streamlined procedure, but would only apply to countries which join monetary union.

Swedes in talks on scrapping N-plants

By Hugh Carnegy in Stockholm

Leaders of Sweden's political parties yesterday opened negotiations on how to deal with one of Europe's boldest but most expensive environmental pledges – the 16-year-old promise to decommission the country's 12 nuclear power plants by the year 2010.

Mr Göran Persson, the Social Democratic prime minister, convened the first of what is set to be a series of meetings of all parliamentary parties from the anti-nuclear Environment party to the nuclear-friendly conservative Moderates in a bid to work out by the end of the year a common solution to one of the toughest issues facing his minority government.

Nuclear power accounts for more than half of all Sweden's electricity production and is a key factor in the supply of relatively cheap energy to the country's big power-hungry industries, most notably the pulp and paper sector. The Confederation of Swedish Industries this week reiterated its concern that an early rundown of nuclear power would damage industrial competitiveness and economic growth.

The government is committed to decommissioning, first agreed in a 1980 referendum. But Mr Anders Sundström, industry minister, said it was important to win broad political backing for its policy because of big costs involved in replacing nuclear power.

A parliamentary commission estimated last year that ending nuclear power by 2010 would cost at least SKr90bn ($13.4bn) – some estimates have put the cost at up to SKr350bn.

The Social Democrats intend to begin to shut down the first reactor by the end of the present parliamentary period in 1998. But most ministers believe it will be impossible to keep to the 2010 deadline.

In an important sign of compromise, Mr Olof Johansson, leader of the Centre party, said yesterday he did not believe 2010 was "a fixed point in time". The Centre party has hitherto insisted the deadline should not be relaxed, posing a problem for Mr Persson who relies on Centre party support for his parliamentary majority.

But there remain big differences in approach. The Environment and Left parties want to see the deadline met, while the Moderates argue strongly against closing nuclear plants before their natural life is over.

There are also divisions over which energy source should replace nuclear power. The cheapest option, natural gas, would raise Sweden's carbon dioxide emissions beyond levels it is pledged to uphold. However, non-fossil fuel sources would be twice as expensive.

Mr Boris Yeltsin, Russian president, yesterday announced he would meet rebel commander Zelimkhan Yandarbiyev in a bid to end the Chechen conflict, writes Matthew Kaminski in Moscow. Mr Yandarbiyev is expected in Moscow for talks before next month's presidential poll. A Russian official said Mr Yeltsin might settle for a Moscow meeting rather than risk a planned visit to Chechnya.

Mr Yeltsin (on the right) got another boost yesterday from Mr James Wolfensohn (left), visiting World Bank president, who praised Russian economic reform and held out hope for disbursing loans worth $800m.

■ Mr Anatoly Stepanov, deputy justice minister, was found dead at his home yesterday. Investigators believe the murder followed an argument with an acquaintance.

Europe's airlines in profit by $1bn

Europe's airlines recorded a cumulative profit of just over $1bn (£660m) last year, their first since 1989, the Association of European Airlines said yesterday, writes Michael Skapinker, Aerospace Correspondent.

The association said, however, that last year's profit, after interest, did not compensate for the accumulated losses of $7.5bn that the airlines made in the previous five years.

It said the 1995 profit also disguised vastly different performances between its members. "The industry is becoming increasingly polarised between those airlines which have successfully emerged from the worst of the downturn and those which are still in the recovery phase," the association said.

Its members range from the highly profitable British Airways to Iberia of Spain, which receives state subsidies.

The improvement in last year's cumulative results was the result of cost-cutting, the association said. Although there was a 9,000 increase in member airlines' combined staff numbers to 311,000, there was also a rise in productivity.

The association said there was a need to integrate Europe's air traffic control to cut down on delays. Over 18 per cent of intra-European departures were delayed by more than 15 minutes in 1995, compared with 13 per cent in 1994. Mr Karl-Heinz Neumeister, the association's secretary general, said: "All that is needed is for those who 'own' airspace – the states – to come together and agree to manage it as if it were a single entity."

Russia seeks to call in old debts

By Matthew Kaminski in Moscow

Like most global empires, the Soviet Union gave generously to its client regimes. Russia now wants to collect the debts.

Moscow officials repeatedly argue that Russia could more easily pay off over $110bn in debts inherited from the Soviet Union if it was able to collect bad debts estimated at $100-$150bn.

This week it emerged that Russia and the Paris Club had begun preliminary talks on Moscow joining the group of creditor nations. Russian membership, or close association, might help put extra pressure on its debtors.

A crucial problem for Russia is that the former Soviet Union did not negotiate its loans – or, as many recipients saw them, subsidies – on commercial terms. Many came in the form of goods and were expected to be repaid also by barter.

The other serious difficulty centres on exchange rates. The loans are denominated in roubles. During the Soviet era, the rouble was artificially set at 0.6 to the dollar. Yesterday the Russian currency was traded at 5,012 to the dollar.

A Polish official said yesterday Russia and Poland were trying to settle how to price $2.5bn in mutual debts, intending to cancel them. Warsaw wants to use the higher rouble rate, Moscow has pressed for the pre-1992 exchange rate.

Difficulties surrounding legal terminology in the loan contracts might also mean the debts could be repaid in raw materials or in US dollars.

A possible solution is suggested by a 1992 deal with India. Each year until 2004, India will deposit $1bn in the Indian central bank that Russia can draw on to buy goods in and trade with India.

In the 1980s, Organisation for Economic Co-operation and Development officials estimated that three-quarters of bilateral net disbursements by the Soviet Union in the 1980s went to three countries – Cuba, Mongolia and Vietnam – with most of the rest going to Afghanistan, Ethiopia, Cambodia, North Korea, Laos, Mozambique, Nicaragua and North and South Yemen.

The ministry of finance yesterday could not provide an exact accounting.

Many of the old Soviet Union's client regimes in the Third World are no longer in power. As in other African states, Ethiopia's former Marxist rulers fought a civil war with Soviet aircraft and tanks. The now democratic leadership inherited a $3.2bn debt to Moscow which it adamantly refuses to service completely.

"Our government is not willing to talk about the credits that went for bullets used to harm people," said an Ethiopian diplomat in Moscow, but talks have started on settling the commercial debt.

Some debts date from after the Soviet era. All former USSR republics owe Moscow, largely for energy imports. Ukraine paid no energy debt or interest on it for about two years, running up a bill of over $4bn, but has kept up payments since last year.

Mr Philip Poole, a London-based economist at ING Barings, said: "If [Russia] manages to get repaid or renegotiate terms on 20 per cent of their debts, I'd have thought they'd be doing pretty well."

However he added that Russia's own recent experience in rescheduling $40bn in debts with the Paris Club might show Moscow that "the debtor, not the creditor, tends to be in control".

Klaus changes style as Czech election looms

The prime minister's campaign team has lacked vision, say critics. **Vincent Boland** reports

Czech prime minister Vaclav Klaus makes a virtue of consistency. But with opinion polls suggesting that a clear victory in next week's general election is not assured, he has made some dramatic changes to the style and message of his campaign.

Polls this week have given conflicting accounts of voter preferences, but it was clear that support for Mr Klaus's centre-right Civic Democratic Party (ODS) and its coalition allies – the Christian Democrats (KDU) and the Civic Democratic Alliance (ODA) – was slipping.

While all the polls gave the governing parties a majority, it remains unclear how decisive it will be.

With critics saying his election platform lacked "vision", the prime minister has made sweeping changes to his campaign team as it struggles to catch up with the main opposition Social Democrats (CSSD) in the visibility stakes.

A source familiar with the campaign says ODS activists have frozen out Ogilvy & Mather, their expensively hired spin-doctors, for allowing the opposition to steal a march in the advertising war.

Mr Klaus has also changed his message, dropping his famed detachment in favour of something more populist.

With just over a week to voting on May 31 and June 1 to elect the country's 200 MPs, time is running out for a prime minister seeking another four years with a majority big enough to consolidate his achievements.

Mr Miloš Zeman, leader of the CSSD, has had the campaign field almost to himself since March, when he began a nationwide tour with just a few advisers in tow, while a delayed parliamentary programme kept Mr Klaus and other government figures in Prague longer than they would have liked.

Mr Klaus's early appearances on the stump, at question- and-answer sessions with voters, had the air of annual general meetings rather than campaign rallies.

When a young woman in the town of Benešov asked why her policeman father's income had not risen over the past four years, Mr Klaus responded with the detached conviction of a chairman defending his company's dividend policy.

That can't be true," he told her, before giving a long explanation of why it was theoretically impossible that her father's income could not have risen in real terms since 1992.

His response might have made perfect sense, but it was very complicated, and hardly sounded likely to persuade the woman, or her father, to vote for him.

Famed for his arrogance and impatient with those who are not true believers, Mr Klaus rarely made a direct appeal to the assembled voters to support him or his party in the forthcoming election. To do otherwise, it appeared, was inconceivable.

Not any more. He is behaving now more like a shareholder activist than a chairman, and is on a gruelling tour that will take him to virtually every important town up to May 29, when he returns to Prague to end the campaign.

He is now telling voters, whose average wage is Kc 8,200 ($298) a month, that they can expect to double their income by the end of the decade.

Czech premier Vaclav Klaus: support for him was slipping

Mlada fronta dnes, the leading daily newspaper, referred to this change of tack as "Klaus's second campaign", but he appears to have had no choice if he is to widen the gap with the Social Democrats. Advisers warned Mr Klaus that the ODS campaign "was based on the past and that he had to provide some kind of vision, to tell people where they were going", according to a source close to the campaign.

Meeting voters in the drab industrial town of Neratovice for another question and answer session, Mr Klaus broke off in the middle of one answer to tell them: "I want to thank you for all you have done for this country."

This brought the only spontaneous applause of the evening, and was a rare moment of bonding between the prime minister and potential voters.

The comment, or variations on it, is now repeated at every rally, suggesting that Mr Klaus, who probably has already won voters' minds, may finally have found the key to their hearts.

Hungary to sell off former Soviet bases

By Virginia Marsh in Budapest

Hungary has announced plans to sell some of the bases the Soviet army left behind, almost five years to the month after Moscow withdrew its last troops.

APV, the state privatisation agency, said yesterday it would this year offer up to 90 former bases either at cash auctions or through direct negotiations with potential developers.

The properties range from a tiny one hectare shooting range in the Puszta, the great Hungarian plain, to a huge military base on the outskirts of Budapest and a large airfield in the south of the country.

The airfield, close to the borders with Serbia and Romania, is one of five sites the APV hopes to find partners with to develop regional airports.

At present, Hungary has just one airport outside the capital.

"Investors will definitely be interested in some of these sites but it will depend very much on their location," says Mr Philip Cohen, a manager at Healey & Baker, the property company, in Budapest.

"Some bases are on the outskirts of large cities and have internal roads and other basic infrastructure.

"If the price is right, these could be developed into business or industrial parks. In the past, developers have found it difficult and too expensive to piece together the land necessary for this type of project," he says.

In the Cold War, Hungary, like eastern Europe's other former Warsaw Pact countries, was obliged to play host to hundreds of thousands of Soviet troops. Some of the former bases have been turned over to the Hungarian army, some prime sites have already been sold or leased and US troops, preparing for Ifor peace implementation duties in former Yugoslavia, are practising at the largest former Soviet shooting range.

The rest are costing the cash-strapped state millions of dollars to maintain and guard.

Property companies say the biggest obstacle to privatisation of the remaining bases is environmental contamination.

"Some of these bases are little more than a few heavily polluted fields, covered with decrepit housing and concrete strips where the Russians were in the habit of dumping used kerosene for forty years," says Mr Stuart Durrant, head of DTZ Debenham Zadelhoff's Budapest office.

APV, however, says it has done its best to ensure the sites are safe from other points of view.

Two well-located former bases have already been snapped up by entrepreneurs. Mr George Loranger, an American businessmen, has set up one of Hungary's most successful industrial parks at a base in the town of Szekesfehervar, one of the country's fastest growing manufacturing centres.

Multinationals including Philips, Stollwerk and Nokia operate brand new factories alongside derelict apartment blocks and abandoned shops which still display signs in cyrillic characters.

On another former base in Budapest, a Hungarian-Canadian group is due to open later this year one of the country's first western style shopping malls complete with six screen cinemas, 150 retail units and parking for 2,000 cars.

EUROPEAN NEWS DIGEST

Talks fixed on Dayton plan

The US, Russia and the EU yesterday summoned the presidents of Serbia, Croatia and Bosnia to Geneva on June 2 for urgent talks on shoring up the faltering Dayton peace process. The talks will focus on the fragile Moslem-Croat federation, and try to gain full compliance on the return of refugees, and free elections planned for September. The announcement came as international mediators kept up pressure on the Bosnian Serb leadership, claiming to have forged a compromise between Croats and Moslems in the southern town of Mostar, which would allow local elections to go ahead.

Diplomats are pressing rival leaders in former Yugoslavia for compliance with the Dayton peace plan – in particular for the arrest of suspected war criminals such as Mr Radovan Karadzic, the Bosnian Serb leader, and his commander, General Ratko Mladic, who are seen as an obstacles to peace in Bosnia. *Laura Silber and Harriet Martin, Belgrade*

Danes predict 1.8% GDP rise

Denmark's gross domestic product will increase by about 1.8 per cent this year, slowing from a growth rate of 2.6 per cent in 1995, according to the spring Economic Survey published yesterday by the Economy Ministry. But the ministry's forecasts were significantly more optimistic than forecasts by two other reports published this week. Economists at Unibank expect the GDP growth rate to fall to only 0.5 per cent, while the chairmen ("the three wise men") of the government-supported Economic Advisory Council have predicted a growth rate of 0.9 per cent. All three reports, however, say the economy will pick up at the end of the year with the GDP growth rate rising to between 2 and 3 per cent in 1997. According to the government, the surplus on the current balance of payments is expected to remain at last year's level of about DKr8bn ($1.36bn), as will inflation at 2.1 per cent. The general government budget deficit, meanwhile, will fall to about DKr12bn, or about 12 per cent of GDP, from DKr16bn in 1995. *Hilary Barnes, Copenhagen*

Spanish general remanded in jail

A Civil Guard general, the most decorated officer in the Spanish paramilitary police force, was remanded in jail yesterday over the kidnap, torture and murder of two young Basque separatists. The prosecutor said he was "probably following higher orders". Brig Gen Enrique Rodriguez Galindo was ordered to be detained unconditionally and incomunicado after refusing to answer questions from a national court judge.

The remains of the two separatists, who disappeared in southern France in 1983, were identified a year ago after being found buried in quicklime in a shallow grave near Alicante in south-east Spain. Gen Rodriguez Galindo was formerly head of the force's centre of operations in the Basque region. The previous Socialist government caused a storm last August when it promoted him from colonel, bringing accusations from the Communists that it was yielding to blackmail. A former Civil Guard director and a former chief of staff also face charges relating to the 1980s "dirty war" against the Eta organisation. *David White, Madrid*

MEPs cut their budget

The European Parliament yesterday agreed to knock Ecu47m ($57m) off its 1997 budget to avoid breaking European Union rules on how much it can spend.

MEPs voted to reduce the proposed budget from Ecu934m to Ecu887m – a 10 per cent increase on this year's figure – to keep it below the limit of 20 per cent of total EU administrative spending. The budget still includes a 32 per cent jump in buildings costs, to Ecu190m, resulting from construction of new buildings in the parliament's centres of Strasbourg and Brussels – a decision attacked by some MEPs.

Other spending has been cut as a result, with administrative cost increases kept to little above inflation, partly through a jobs freeze. The budget for parliament's political groups is also virtually frozen. *Neil Buckley, Strasbourg*

Bulgaria bank bankruptcies

An emergency session of the Bulgarian parliament yesterday adopted a deposit guarantee bill to clear the way for initiating bankruptcy procedures against Bulgaria's insolvent banks. The new bill is one of the measures being taken to restore confidence in the banking system, in a bid to reach agreement with the International Monetary Fund and the World Bank on a support package to defuse Bulgaria's economic crisis.

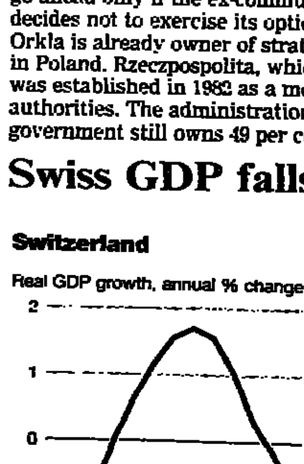
Under the new bill, individual deposits in bankrupt banks will be compensated in full, while company deposits will be guaranteed up to 50 per cent. However, deposits of banks and other financial institutions will not be guaranteed. The new bill will become law after the president, Mr Zhelyu Zhelev, signs it. The central bank then plans to initiate bankruptcy procedures against several state and privately-owned banks.

Meanwhile, the IMF mission, which was supposed to leave Bulgaria yesterday after a two week stay, announced it would remain over the weekend in order to work with the World Bank mission that arrived on Monday. *Theodor Troev, Sofia*

Bid for Polish newspaper stake

Orkla Media, publishing arm of Norway's chemicals-to-food products group, has agreed to pay $45m for a 51 per cent stake owned by Hersant, the French publisher, in Rzeczpospolita, a leading Polish national daily newspaper. The planned deal, which represents the highest price offered for a Polish newspaper since the press was privatised five years ago, will go ahead only if the ex-communist-led coalition government decides not to exercise its option to purchase Hersant's share. Orkla is already owner of strategic stakes in nine local dailies in Poland. Rzeczpospolita, which made a $10m profit last year, was established in 1982 as a mouthpiece of the communist authorities. The administration later shed control, but the government still owns 49 per cent. *Chris Bobinski, Warsaw*

Swiss GDP falls in first quarter



The Swiss government announced yesterday that preliminary estimates showed Switzerland's real gross domestic product contracted around 0.75 per cent in the first quarter of this year from the same period of 1995. The government, in a document released to Parliament, also said that estimates show that real GDP stagnated in comparison to the fourth quarter of 1995. But the document said that expectations for a second-half economic recovery remained intact. The government cited favourable economic conditions in the US as well as the higher dollar this year. It also cited signs of an emerging recovery in Germany's economy: "The latest observations in these two countries, which are important for our economy, give rise to a certain optimism," the report said. But the government also noted a risk in Europe, where many countries need to pursue a restrictive fiscal policy to qualify for European economic and monetary union. In all of 1995, real Swiss GDP is estimated to have expanded by 0.7 per cent. *AP, Bern*

● The Swiss National Bank's seasonally adjusted money supply was SFr30.834bn ($24.64bn) in April, up by 1.9 per cent from the fourth quarter of 1995. Money supply rose 1.5 per cent in three months to March to average SFr30.685bn from the fourth quarter of 1994.

● German producer prices rose 0.1 per cent in April from March and fell 0.5 per cent year-on-year.

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Juppé hints at tax breaks for hours cut

By David Buchan in Paris

Prime Minister Alain Juppé yesterday held out the possibility of tax incentives to lure French employers into meeting union demands for cuts in working hours as a means of opening up new job slots.

Mr Juppé said he would support a parliamentary amendment to lower social welfare charges on employers entering into job-creating agreements to reduce working time, as unions mounted protests in Paris and several other cities to complain at foot-dragging tactics by employers.

Last October employer federations agreed with the unions to try to reach sectoral accords linking cuts in working time and job creation by the end of next month.

So far only employers and some unions in the metalworking industry have reached an accord, which gives workers more time off in return for more flexible shifts but provides no extra employment and has therefore been denounced by other unions, notably the CFDT union federation spearheading yesterday's demonstrations.

The idea of spreading available work in France around more people appears to be gaining growing political support, as all parties cast around for ways to relieve the country's chronically high unemployment rate. The Gaullist prime minister's decision to support an amendment proposed by his coalition partner, the UDF, is in line with what Mr Michel Rocard, the former Socialist prime minister, has been privately discussing with President Chirac.

The issue is creating other strange alliances. Mrs Nicole Notat, leader of the generally moderate CFDT union federation, yesterday joined the pro-communist CGT union to *demand a shorter working* week and new jobs.

17 But Mr Marc Blondel, head of Force Ouvrière who ridiculed Mrs Notat for her absence from last December's public sector strikes, agrees with Mr Jean Gandois, president of the Patronat employers *federation, that cutting* working hours will create few or no jobs. The Patronat says European countries, such as the UK, with the longest working hours also have the lowest unemployment.

Yesterday's protests disrupted some rail services in the Paris, Lille and Toulouse areas, as French rail workers were warned by Mr Neil Kinnock, the European transport commissioner, that the best way of protecting their jobs was to embrace change, not to fight it.

Mr Kinnock was in Paris in an effort to win the support of the French government and of the SNCF railways, paralysed *by last December's anti-reform* strike, for a modified version of the Commission's proposal last summer to open up European rail freight to competition.

The French parliament has proposed that France's 10-month compulsory military service, which is being phased out under President Chirac's defence reforms, should be replaced by what "a citizen's rendez-vous", David Buchan writes. All 18-20 year olds would be called to this "rendez-vous" for a period of not less than six days and not more than eight weeks to learn about the "demands of civic life and the spirit of defence, while benefiting from a useful social mixing". The proposal was drawn up by a special commission, headed by Mr Philippe Séguin, president of the National Assembly, which over the past two months held 78 hearings.

The recommendation is a compromise between the government refusal to replace full conscription with a costly civilian service and backbench MPs' view that some sort of national service can still play a valuable social, if not military role.

Judicial web tightens before Berlusconi floats Mediaset

Robert Graham and Andrew Hill on the former prime minister's hopes for a L7,000bn stock market launch

An allergic reaction to a spider bite found Mr Silvio Berlusconi unexpectedly spending a night in hospital this week.

The media magnate turned politician has recovered quickly, but the spider's aggression seemed to come at a portentous moment. The judicial web is tightening around him, his associates and the managers of his Fininvest business empire. He says he has turned his back on the business world, but his role as a politician has been called into question by defeat in the general elections.

Amid all this, he and his family are attempting one of the biggest private flotations on the Milan stock exchange. Mediaset, the recently formed vehicle for his television and advertising interests, aims to float about 20 per cent of its capital next month through a public offer and an institutional placing, which should value the company at around L7,000bn ($4.23bn). Never before has such a large flotation taken place against such an uncertain political and judicial background.

Mr Berlusconi's political *position and judicial plight are* intertwined to such an extent that if things go wrong it will not just be Mr Berlusconi who suffers. The stability of the politico-economic system will be affected; and it is precisely this threat which is Mr Berlusconi's greatest insurance.

"We are convinced that the Mediaset flotation is wholly isolated from any judicial problems that might arise," says Mr Fedele Confalonieri, chairman of Fininvest and Mediaset, and a life-long friend of Mr Berlusconi.

Prof Ennio Amodio, Mr Berlusconi's principal criminal lawyer, says every possible contingency has been taken *into account and the share* prospectus will warn potential investors of the judicial investigations into the conduct of Fininvest managers and of Mr Berlusconi. But there is a palpable sense of nervousness both within the Fininvest hierarchy and among those co-ordinating the flotation.

MEDIASET FLOTATION – PLANNED TIMETABLE

May 24:	Mediaset board to discuss minimum price
End-May:	Consob, stock market watchdog, approves prospectus
June 5:	Institutional investors' roadshow starts in Milan
Mid-June:	Pricing and launch of public offer
End-June:	Offer closes, trading begins in Milan

Since January 1993, members of the Guardia di Finanza – the financial police – have conducted 228 searches on Fininvest offices and 25 managers have either been arrested or questioned.

But Milan magistrates have now come, they believe, to the heart of the Fininvest empire with the 1989-95 accounts under scrutiny. Last week arrest warrants were issued against seven Fininvest employees or former employees linked for alleged falsification of the accounts "in conjunction with Silvio Berlusconi".

The magistrates believe they have uncovered – with the help of the authorities in Switzerland and latterly the UK – a complex series of operations *whereby funds have been* siphoned out of Istifi, which acts as the internal "bank" of Fininvest, to offshore subsidiaries. Prof Amodio says these operations deemed illegal were in fact sophisticated financial engineering through overseas companies related to purchase, mainly from the US, of film and television rights.

The magistrates are convinced these funds were used for illicit purposes, including financing Mr Bettino Craxi and his now defunct Socialist party. They also believe Fininvest set up secret funds offshore to finance continued control of Telepiù, an Italian pay-TV company formed by Mr Berlusconi, *after anti-trust* laws obliged Fininvest to reduce its stake to 10 per cent. This control, they believe, was exercised through Mr Renato Della Valle, a property dealer and friend of Mr Berlusconi, who had a 23 per cent stake financed to the tune of L200bn by three foreign banks.

For two years Mr Berlusconi's political opponents have indicated he risked losing his commercial channel licence for any breach over Telepiù. But *his lawyers insist* the six-year concession for his three commercial TV channels, conferred in 1992, cannot be touched.

Nevertheless any breach of the law would weaken Mediaset's position in discussing with the new government on the reorganisation of public and private television. Such discussions must occur to comply with a 1994 supreme court decision, and may yet be defused by the willingness of Mr Romano Prodi, the prime minister, to reduce Mediaset's dominance of the market by encouraging digital, satellite and cable transmission, rather *than blocking existing* terrestrial channels.

In any case, Mr Berlusconi's failure to win the elections has eased tensions over the conflict of interest between his media ownership and his role as leader of Forza Italia, the right-wing political party. Mr Confalonieri even concedes that the confident reaction of the Milan stock exchange to the new government made the path to flotation smoother than if Mr Berlusconi had won.

Investment bankers admit, however, that the recent eruption of arrests has not made the job of selling Mediaset any easier.

The decision on whether the flotation should go ahead should be taken in the next few days by Consob, the Italian financial markets watchdog. It must approve the Mediaset prospectus for "transparency and correctness". Consob must also waive rules which say only companies with three years of separately audited net profit can list their shares in Milan, normally a formality.

If Consob gives the go-ahead to the flotation, Mediaset and its bankers will then do their best to dispel fears among potential investors. Apart from informing investors in the prospectus about pending investigations, Fininvest also plans an explicit guarantee to potential and existing shareholders that it, rather than Mediaset, will bear the brunt of any future claim for repayment of tax, if the holding company is found guilty of tax evasion.

The only other lever Mediaset can pull is to adjust the price. So far, the group is adamant that it will not launch the offer at less than L55,000-a-share, the price paid by existing shareholders, who have bought around 30 per cent of Mediaset since last summer.

The minority investors would be unhappy to see the offer price slip below what they paid, but it is also in their long-term interests that the *group should be floated, if only* to allow them to realise their investment later.

Two days ago the Italian stock exchange council fixed a representative value of L56,000 a share for Mediaset, but this is not binding and the real test will be whether new investors are prepared to accept such a price.

Mr Aldo Livolsi, managing director of both Fininvest and Mediaset, believes both institutional and ordinary investors will ignore the judicial brouhaha. "The institutions are pretty sophisticated and will understand the value of the investment, whereas we think the retail investors, who know the situation in Italy, ought not to be negatively influenced."

Mr Confalonieri candidly admits his belief that it was a mistake for Mr Berlusconi to go into politics in January 1994. "It gave him and Fininvest a higher profile and vulnerability, allowing the magistrates to treat them differently from the likes of Olivetti [the computer group] and [Cesare] Romiti [Fiat's chairman]."

Mr Berlusconi's credibility has been badly damaged, however, by his close association with Mr Cesare Previti, the chief Rome lawyer for Fininvest, a leading member of Forza Italia and defence minister in the 1994 Berlusconi government. Mr Previti is under investigation for allegedly corrupting Rome judges to arrange cases and for allegedly blackmailing anti-corruption Milan magistrate Antonio Di Pietro, who was investigating Mr Berlusconi.

If Mr Berlusconi sacrificed Mr Previti, it would be easier for the government to find a solution to the former premier's problems. But Mr Previti is unlikely to go without a fight and Mr Berlusconi is determined to acquit himself in an increasingly personalised battle with the judiciary that has so far cost him L35bn in lawyers fees.

In public, Mr Berlusconi remains committed to respecting the 8m voters for his Forza Italia movement. Also the government has no immediate interest in Mr Berlusconi leaving politics, fearing a disruptive break-up of Forza Italia. But the ineluctable movement of the judicial process will be difficult to stop.

The trials and tribulations

■ Silvio Berlusconi, media magnate and former prime minister (*pictured left*), is on trial in Milan over payment to Guardia di Finanza officials for tax inspections of subsidiaries of his Fininvest business empire – L100m ($64,670) for Videotime (film/video); L130m for Mondadori (publishing); L130m for Mediolanum (life assurance) and L150m for inspection of the ownership structure of Telepiù (pay TV). *Prosecutors are concentrating on the Telepiù case to demonstrate that he maintained control of the company illegally. Mr Berlusconi denies involvement.*

■ Mr Berlusconi is under investigation for alleged falsification of Fininvest accounts and for allegedly siphoning money illegally to overseas subsidiaries. Warrants have been issued for the arrest of seven Fininvest employees for allegedly falsifying accounts "in conjunction with" Mr Berlusconi. *Milan magistrates believe funds channelled abroad were used to finance political parties, buy influence and cover illegal business operations. Fininvest says it did nothing illegal.*

■ Milan magistrates have requested Mr Berlusconi be sent for trial for irregularities in the 1988 purchase for L30bn of Medusa, a small film company. *The case may lapse.*

■ Milan magistrates have requested Mr Berlusconi be sent for trial for tax evasion relating to property dealing at Macherio near Milan. *This case may also lapse.*

■ Fininvest's Rome lawyer, Mr Cesare Previti (*pictured left*), former defence minister in the Berlusconi government and leading figure in Forza Italia, is under two separate investigations – the alleged blackmail of Milan magistrate Antonio Di Pietro, who was investigating Mr Berlusconi for corruption of the Guardia di Finanza, and the alleged bribing of judges to settle court cases. *The allegations against Mr Previti could rebound on Mr Berlusconi and Fininvest if the allegations against Mr Previti prove to be true.*

Likud leader fights for voters' confidence

Rightwing chief has TV skills but must overcome doubts about his judgment, writes Julian Ozanne

Mr Benjamin "Bibi" Netanyahu, Israel's telegenic right-wing opposition candidate for prime minister, believes he can taste political power.

His advertising campaign filmed him in a mock prime minister's office and addressing a mock cabinet meeting. Earlier this week, as national opinion polls showed him trailing Israeli prime minister Shimon Peres by up to seven points, he revealed results of a private poll showing him two points ahead.

Yet Mr Netanyahu's hunger for office could prove to be his undoing when Israelis vote next Wednesday.

For the first time, they will cast a separate ballot for direct election of the prime minister. The close two-man race for the premiership, and the efforts of both parties to rush towards the political centre to capture the floating vote, have voters' minds on the characters of Mr Netanyahu and Mr Peres.

Few people doubt Mr Netanyahu's intelligence, his past military bravery – he was wounded 1972 while taking part in the rescue of hostages on a hijacked Sabena aircraft – and his remarkable communications skills as one of Israel's greatest defenders abroad throughout the 1980s and during the Gulf war.

And his rightwing platform opposed to the Israeli-Palestinian peace agreements speaks to the deep-rooted fears of such a large percentage of Israel that the results of next week's vote remain too close to call.

But many Israelis, including hardcore supporters of his Likud party, feel deeply uneasy about voting for the 46-year-old Mr Netanyahu, who often seems long on style and short on substance.

Few have concrete explanations for their non-specific sense that something is not quite right with Bibi. But when pushed, many sayhis Americanised sound-bite political style, his disputed judgment and his aura of insincerity are a liability in Israel's rough and ready political culture.

Almost all the big political media pundits have fired barrage after barrage against Mr Netanyahu's ever shifting policies towards Middle East peace, which critics say have been formed more by the advice of pollsters than by political principle.

His repeated changes of mind about whether he will or will not meet Mr Yassir Arafat, the Palestinian leader, are a case in point. First Mr Netanyahu said his government would not meet Mr Arafat, whom he routinely describes as a murderer and a terrorist; then he said his ministers would meet Mr Arafat and Palestinian officials but that he would not personally. More recently, he conceded he might be prepared to meet Mr Arafat if it was in the interests of the security of the state of Israel.

ISRAELI ELECTION - LATEST OPINION POLLS (%)

Date	Pollster	Peres	Netanyahu	Undecided
May 23	Gallup	47	40	13
May 23	Dahaf Institute	50.3	45.8	3.9
May 17	Geocartographia	48	44	8
May 17	Gallup	45	39	16
May 17	Dahaf Institute	49.6	44.2	6.2

Mr Netanyahu has become the butt of political satirists and there is a certain amount of truth in his constant complaints that he has been a victim of a concerted campaign of denigration in the media.

Yet his image of indecisiveness, apparent lack of principle and opportunism remain powerfully ingrained in the public eye. Part of the problem rests with the very qualities which helped his meteoric rise to power as Likud leader in 1993.

After the leadership of the ageing Mr Yitzhak Shamir, whose crude and tough policy line alienated the US, Israel's greatest ally, the party turned to Mr Netanyahu as a younger leader shrouded in an aura of success who could sell the Likud policies better in a new political age of television and Americanisation. Mr Netanyahu, a favourite of US television shows, was elected party leader over veteran politicians.

His communications skills were developed between 1982 and 1992 when he was deputy ambassador to the US, ambassador to the United Nations and deputy foreign minister. However, those skills have been less of an asset in Israel, where voters have traditionally been keen on gruff generals and grizzled veterans of the struggle for Israeli independence, such as former prime minister Yitzhak Rabin.

Mr Netanyahu has failed to impress his intelligence and creative thinking about a range of issues from education to technology on his public political persona.

As the peace process unfolded, his inability to strike a clear popular alternative policy led to a perpetual whispering campaign among the very Likud princes who backed him in 1993, undermining him among the public.

Furthermore, often his political judgment has been openly questioned by Likud party grandees and he has never really recovered from the questions of judgment surrounding "Bibigate", the scandal of his infidelity which erupted two months before the Likud leadership poll.

When news of his affair broke, and rumours circulated of the existence of a video tape, he quickly adopted the American model of public confession and went on prime time television to admit his mistake.

He also implicated Mr David Levy, the former Likud foreign minister, in a conspiracy against him. In the event no video was produced. Mr Netanyahu was forced to publicly apologise to Mr Levy and he was left looking, at best, naive.

The Labour party has naturally sought to exploit his inexperience. Labour advertisements have portrayed the 72-year-old Mr Peres, who has held virtually every senior ministerial post, as a veteran statesman equally at home in the White House as in military headquarters.

Earlier this week a Labour advertisement featured Mr Ehud Barak, the highly respected foreign minister and former army chief, describing to Israeli voters the demands of being prime minister.

An Israeli prime minister needed to take instant decisions which could affect lives and could not afford to consult advisers beforehand, he said.

In a potentially devastating statement, he said Mr Netanyahu had served under him in the army and clearly did not have what it takes to be an Israeli prime minister.

When Israelis vote next week, pollsters say at least a few rightwing voters may well agree with Mr Barak and find it impossible for vote for Mr Netanyahu, despite the fact that they find the alternative politically unpalatable.

Netanyahu: believes he can taste political power but his hunger for office could prove his undoing in Israel's election next week

Warning on Iran sanctions

By Nancy Dunne in Washington

The US administration is urging Congress to impose sanctions on foreign companies that invest in Iran's oil industry but has warned congressmen to be careful to craft measures that would not harm the multilateral trading system.

A bill to impose sanctions against companies investing in oilfields in Iran and Libya has already been passed by the Senate 99-0 but has yet to pass through the House of Representatives.

The House international relations committee has approved legislation which would also penalise banks financing foreign investment.

However, the bill has run into opposition from two powerful House of Representatives committee chairmen.

Mr William Archer, chairman of the ways and means committee, wants narrower sanctions that would be less offensive to US allies, as does Mr Jim Leach, chairman of the banking committee.

The administration said on Wednesday it wanted to take "tough action" but needs considerable flexibility so the president has the latitude to respond most effectively to each new situation.

In testimony before the House subcommittee on trade, Mr C David Welch, a state department official, said that big US trading partners – chiefly Canada, Europe and Japan – believed the legislation was an attempt to force US policy on their citizens and a violation of the principles of free trade.

"Like you, we have been disappointed by the lack of support from our friends and allies for our efforts to increase the economic pressure on Iran and Libya," he said. "We also find it difficult to understand why these regimes merit financial benefits or even 'business as usual'."

The Clinton Administration has already barred US companies from engaging in oil development agreements in Iran. Last year the French company Total picked up a $600m deal which Conoco was forced to drop for the development of Iranian offshore oil.

Germany is Iran's largest trading partner, and its government has underwritten about $10bn in sales and investment by German companies. Last year Bonn reinstated government-backed credits for exports to Iran and granted Tehran $102m in credit guarantees.

Ms Jennifer Hillman, general counsel at the US trade representative's office, urged the House to "take care to measure the impact ... on our trading partners, on the multilateral trading system and on US business and economic interests."

Mr Welch said the threat of sanctions had already kept some foreign oil companies from investing in Iran. But sanctions against foreign companies that trade with Iran would be impossible to monitor and enforce.

The administration supports the current multilateral sanctions against Libya but considers it too late to stop foreign investment in its oil and gas sector because 24 companies are already working there.

New $50bn credit line for IMF is agreed

By Robert Chote, Economics Editor

Twelve countries have agreed in principle to join the Group of 10 leading industrial nations in offering a $50bn credit line to the International Monetary Fund in the event of future Mexican-style financial crises.

The broad details of the new credit line were agreed in Paris yesterday, following weeks of difficult negotiations to come up a scheme acceptable to both the G10 members and potential new participants.

The existing "general arrangements to borrow" under which the G10 countries agree to lend up to $28bn to the Fund, will formally remain intact. But officials said the Fund could now only draw on them to help the G10 members themselves – the US, Japan, Germany, France, Canada, Italy, the UK, Belgium, Switzerland, Sweden and the Netherlands.

A new set of arrangements will be created offering a credit line of up to $50bn. The G10 countries will agree to put up 75 to 80 per cent of the money, with other countries contributing the rest. If the new and old arrangements are activated together to help a G10 country, then the total available would be slightly less than $50bn.

The new participants will not have to sign up until the fine print of the scheme is agreed, but Austria, Denmark, Finland, Norway, Spain, Luxembourg, Saudi Arabia, Australia, South Korea, Malaysia, Thailand and Singapore have all expressed provisional support. Saudi Arabia already has associate status in the existing arrangements.

The shares each country would contribute to the scheme will depend initially on their "quotas" or shareholdings at the IMF, but there will also be a minimum contribution of around $435m.

Participants will also be allowed to reallocate their shares among themselves. This condition has been agreed so the G10 countries can maintain their existing relative contributions.

The officials meeting in Paris also agreed to simplify the voting system under which the arrangement can be triggered. Activation will require 80 per cent support, with participants' votes weighted according to the size of their contributions. A country would only be allowed to opt out of contributing in a particular case if it was outside the IMF's "operational budget" at the time, meaning that it had a balance of payments crisis itself.

The G10 countries are also expected to amend the existing complex voting system which applies to the general arrangements to borrow in line with that of the new scheme.

At the insistence of the Bundesbank, the wording describing the circumstances under which the existing arrangements can be activated will be retained for the new mechanism. But officials will also draw up more detailed explanations of these circumstances, reflecting the feeling among some countries that it would have been impossible to activate the existing general arrangements to help non-G10 countries.

UK looks to improve standing in Arab circles

By Roula Khalaf, Middle East Correspondent

Britain's foreign secretary yesterday reached out to the Arab world, speaking up for Palestinian aspirations to statehood and claiming that the al Massaari affair was no longer harming UK business interests in Saudi Arabia.

Mr Malcolm Rifkind told a Saudi newspaper yesterday that Saudi Arabia had assured Britain that the presence of the Saudi dissident in London would not lead to discrimination against British companies seeking contracts in the kingdom.

Mr Rifkind's comments come at a time when British influence in the Middle East is seen to be slipping while France is working hard at carving a larger political and commercial role for itself in Arab countries.

Mr Rifkind's statements in the London-based newspaper Asharq al-Awsat countered previous claims by both British companies and Saudi officials that Britain would pay a price for the continued presence of Islamist dissident Mohammed al Massaari in Britain.

"We have no reason to doubt these assurances or expect any change in the implementation of al-Yamamah" defence contracts, Mr Rifkind said. The al-Yamamah deal is the centrepiece of British commercial relations with Saudi Arabia and covers supplies of British arms, infrastructure and defence services worth about £2bn per year.

In April, Babcock International, the process engineering and materials handling group, blamed political tension between Britain and Saudi Arabia for a big fall in orders. This week, however, engineering company Davy announced that it had won a small $18m contract for a company owned by Saudi Basic Industries Corp. Davy said earlier this year that it too had been excluded from a big Saudi contract.

Mr Rifkind made clear that the British government was not pleased with Mr al Massaari's presence in London. But attempts to deport him had been rebuffed by the courts.

Political analysts said yesterday that Saudi officials may be coming to the conclusion that the UK government had done all in its power to get rid of Mr al Massaari. Saudi irritation with the dissident may have also eased in recent months following an internal split in Mr al Massaari's London-based operation.

Rifkind: seeking to undo damage caused by Portillo

Later in the day, Mr Rifkind sought to reinforce relations with Arab states in a policy speech in which he called on Israel to keep open the option of a Palestinian state, deplored the suffering caused by last month's Israeli attack on Lebanon and promised that Britain would play a larger role in furthering the peace process.

In a speech to be delivered to the Medical Aid for the Palestinians charity last night, he said he believed both Israel and the Palestinians would have to compromise in negotiations on final status. "To close off the option of a (Palestinian) state would in my view be a mistake of the first magnitude," he said.

In next week's Israeli elections Prime Minister Shimon Peres's Labour party has left the option of a Palestinian state open while right-wing Likud party remains fiercely opposed to the idea of Palestinian statehood.

In a statement that drew immediate criticism from the Israeli embassy in London, Mr Rifkind reiterated Britain's position on Jerusalem, the most sticky issue in final status talks. "Britain's position ...remains that Israel is in military occupation of East Jerusalem and has only de facto authority over West Jerusalem. A permanent solution ... must respect the legitimate aspirations of the parties and the special character of the Holy places..."

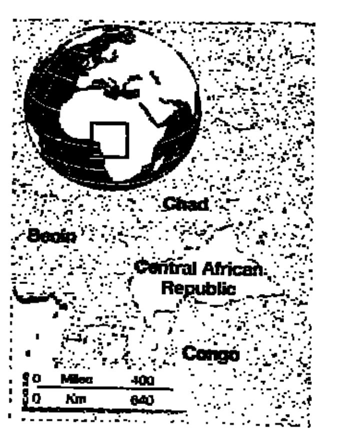
Mr Rifkind also sought to undo the damage to British-Arab relations caused by comments last month by Mr Michael Portillo, the defence secretary, that seemed to endorse the Israeli bombardment of Lebanon.

Mr Rifkind did not condemn the Israeli operation but said that Britain was "shocked and saddened by the hostilities across the Lebanon-Israel border, particularly the appalling tragedy of Qana."

In a more forceful statement, he also called on Israel to leave southern Lebanon and said UN Security Council Resolution 425, which calls for such a withdrawal, must be implemented in full.

France pours in troops to crush African revolt

By Michela Wrong in Nairobi and agencies



France, fearful of losing control of one of its strategic military bases in Africa, yesterday airlifted commandos and armoured vehicles to the Central African Republic in a big escalation of its attempt to crush a six-day-old army mutiny.

Military officials in Paris said 100 special forces, two dozen armoured personnel carriers and other heavy equipment were flown aboard chartered Antonovs to the remote African state as part of "Operation Almandin II".

In an implicit acknowledgment that the intervention had shifted from its original aim of protecting French nationals, Mr Jacques Godfrain, the French co-operation minister, said its purpose was "to maintain the democratic state".

French involvement has escalated rapidly since the army launched its rebellion at the weekend, demanding pay arrears, the return of weapons transferred to the presidential guard and the resignation of President Ange-Felix Patasse.

As talks between the government and mutineers crumbled, French units started fanning across the looted capital. They secured the local radio station and at one stage a French helicopter gunship opened fire on a van of mutineers, killing nine.

While the US has also flown marines to the country to evacuate nationals and protect its embassy, it is clear that France's muscular intervention goes a great deal further in its intentions. An angry crowd of 10,000 demonstrators yesterday marched to the French embassy, demanding Paris stop propping up an unpopular regime. Since nominally granting independence in 1960, Paris has scarcely loosened its hold on Central African Republic.

The country hosts a 1,000-man strong French military presence which, along with similar bases in Chad and Djibouti, provides Paris with a springboard for operations across a continent it still regards as very much its own "backyard". The base played a crucial role in "Operation Turquoise", France's belated attempt to rescue Tutsis from the 1994 genocide in Rwanda.

In return for hefty yearly injections of aid, the country has been asked to tolerate an extraordinary level of political interference, with France's emphasis placed firmly on guaranteeing the stability it needs for its logistics operations.

When the brutal follies of Emperor Jean-Bedel Bokassa, French president Valery Giscard d'Estaing's erstwhile friend, were judged to have got out of hand in 1979, France helped depose him and put a cousin in his place. Later, Paris pressurised Andre Kolingba, the military leader, to introduce multi-party democracy. And when the army first mutinied over pay last month, Paris stepped in to pay their arrears.

Visiting German chancellor stands mute at Milwaukee meeting as Clinton lashes Dole over 'decency'

Politics as usual at 'sausage summit'

By Jurek Martin in Washington

Chancellor Helmut Kohl of Germany may have come to Milwaukee, in the American Midwest, looking forward to a nice talk and a good German meal with his old friend and fellow trencherman, President Bill Clinton.

But what he mostly heard, in the public part of what the local media have dubbed "the sausage summit", was US electoral politics in the raw, as Mr Clinton rounded on Senator Bob Dole, his probable Republican rival in the November presidential contest, in some of the angriest language of the campaign season.

At a news conference dominated by US domestic issues, Mr Clinton was asked for his reaction to Mr Dole's accusation, in a speech two hours earlier, that the president had "pushed the limits of decency too far" by vetoing a bill to outlaw late-term, partial-birth abortions.

An incensed president shot back: "I am always a little suspicious when politicians piously proclaim their morality." He wanted Mr Dole to follow his lead in confronting women who had experienced this traumatic operation. His opponent stood revealed as an ally of those "who would rather have an issue than solve a problem."

Mr Kohl stood impassively at his lectern during this outburst, as he had a few minutes before when Mr Clinton gave a lengthy disquisition on the petrol tax, welfare reform, homosexual marriages and other hot political issues.

Mr Kohl had come to Milwaukee, according to Mr Clinton, because after 23 trips to Washington in his 14 years as chancellor, "we thought it high time [he] saw another part of our country," particularly a city founded by German immigrants and once called "*die Deutsche Athen*".

The fact that Mr Dole had been in Milwaukee 48 hours earlier, speaking on welfare reform, was pure coincidence, of course, much as Mr Kohl's entertaining of Mr Clinton at his Rhineland home in July 1994, three months before the last German election, had nothing to do with politics.

But Mr Kohl talked not only to Mr Clinton yesterday. He arranged an early-morning session with Mr Haley Barbour, chairman of the national Republican committee. Today, having flow back to Washington on Air Force One, he will visit Republican congressmen on Capitol Hill.

Their shared interest in food apart, the evidence is strong that Mr Clinton and Mr Kohl get on. The chancellor spoke of his "close personal rapport" with the president, who responded with equal warmth.

He will also be taking back to Germany various locally made gifts. They included a motorbike jacket, a Green Bay Packers American football helmet, a mountain bike and a fishing tackle box. Whether Mr Kohl planned to use the mountain bike after an ample lunch was not clear.

Revival of star wars in trouble over expense

By Jurek Martin in Washington

The US Republican party's attempt to revive President Ronald Reagan's missile defence system, popularly known as star wars, seems in deep trouble after a congressional conclusion that it would cost as much as 12 times the estimates of its proponents.

The decision by the Republican leaders in the House of Representatives to postpone a vote on the issue, scheduled for yesterday, comes as a setback to the presidential campaign of Senator Robert Dole, the probable party nominee. He has made stronger missile defence a central element in his national security policies, against the risk of attack from countries such as North Korea and Iran.

It also gave President Bill Clinton ammunition to launch a swift counter-attack on the Republican plan on Wednesday. He told the graduating class of the Coast Guard Academy that the initiative would "waste money and would weaken our defences by taking money away from things we know we need right now."

The blow to Republican hopes was delivered by the independent Congressional Budget Office. It calculated that the total cost of the system could run from \$31bn-\$60bn by 2003, when the Republicans want it fully effective, with subsequent operating costs even greater.

They had estimated it could be built for as little as \$5bn, which seemed modest given that nearly \$40bn had been spent on Mr Reagan's star wars without a system being put in place.

Funding for early development is included in Republican proposals for next year's defence budget, which seeks overall spending \$13bn higher than requested by the Defence Department. Mr Clinton eventually accepted a defence budget for the current year \$7bn bigger than he had recommended.

In his speech on Asian policy two weeks ago, Mr Dole had called for a strengthening of US missile defences for Japan, South Korea and Taiwan. The Clinton administration, countering that negotiations with the three countries over the supply of existing system were already well advanced, accused Mr Dole of trying to revive star wars through foreign policy.

Mr Clinton's basic position, reiterated on Wednesday, is that there is no need for the US to rush into development of a new system "that could be obsolete tomorrow".

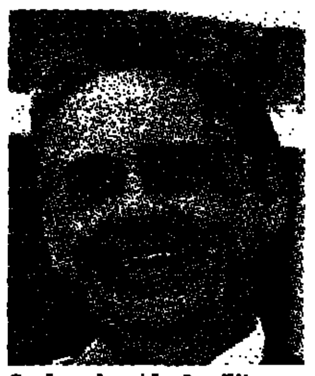
Brazil's president to seek reversal of congressional amendments in Senate

Cardoso stands by welfare reforms

By Angus Foster in São Paulo

The government of President Fernando Henrique Cardoso yesterday announced it would try to reverse the amendments to its social security reforms by the lower house of the Brazilian Congress, when the bill goes before the Senate.

Late on Wednesday, the government failed to defeat three amendments which would maintain privileges for public sector employees. As a result, public sector pensioners would continue to receive all pay rises and productivity payments granted to active workers, and special groups such as university teachers would be able to retire early.



Cardoso: beset by fragility

The government, which had already diluted most of its original reform ideas, discarded a suggestion to withdraw the social security reform now that so few of its original proposals remain in place. Government leaders insisted that the deadlines for voting on the social security and civil service reforms remained July 31 in the lower house, and September 30 in the Senate.

However, analysts said any revisions in the Senate, where Mr Cardoso's support is stronger, would eventually have to be approved in the lower house, which suggests there will now be serious delays before any changes are approved and in place.

Mr Sérgio Amaral, presidential spokesman, said the privileges being maintained were "unacceptable". The government says that, unless these privileges are cut, the government's budget will remain under pressure.

"The country needs to know the consequences of this voting. If interest rates are high, it's because we have a fiscal problem. You need to confront that problem for rates to come down," Mr Amaral said.

The defeats in the lower house were caused by the abstention or defection of minorities in all four coalition parties. These further indications of the government's fragile support in the lower house were seen as a bad sign for Mr Cardoso's hopes of approving other controversial reforms to the civil service later this year.

Arrests in US over Chinese weapons

US Treasury agents have seized 2,000 AK-47 rifles and arrested seven representatives of two state-owned Chinese companies, charging them with having smuggled the weapons into the US for sale to American gangs, reports Nancy Dunne in Washington.

A US attorney in San Francisco, where the seven defendants were to be charged yesterday, said this was the largest ever US seizure of smuggled automatic weapons.

This case threatens to aggravate the already strained relationship between the US and China. It could lead to new attempts in Congress to revoke China's most favoured nation trading status for products from companies owned by the Chinese military.

This month, the US state department had declined to punish China for an alleged sale of nuclear-related equipment to Pakistan by the same companies accused of the gun smuggling. However, President Bill Clinton is preparing to impose \$2bn sanctions on Chinese imports for failure to close factories producing counterfeit videos, software and laser and compact discs. At least two of those factories are believed to be owned by officials of China's army.

Some US officials believe the Chinese military is anxious to raise money to upgrade its own weaponry. The driving force behind that concern, they add, is the display of US might in the Gulf war.

One of the Chinese companies accused of the smuggling, Poly Technologies, is headed by He Ping, son-in-law of China's paramount leader Deng Xiaoping. Among those arrested were representatives of the state-owned China Northern Industrial Corporation, also known as Norinco, and of Poly Technologies.

The arms seizure followed an 18-month investigation. Undercover US agents met a Chinese-American who helped arrange the illicit shipments, estimated to be worth more than \$4m. The Treasury wired almost \$267,000 through Hong Kong to a bank account in Beijing. Another \$700,000 was paid by an undercover agent to the middleman and to a Ms Chen, described as a senior Norinco official.

AMERICAN NEWS DIGEST

Hackers enter defence systems

Hackers on the Internet broke into US Defence Department computers more than 160,000 times last year, according to a report from Congressional investigators that indicates an increasing vulnerability of sensitive information stored in computer systems. "At a minimum, these attacks are a multimillion-dollar nuisance to Defence. At worst, they are a serious threat to national security," the General Accounting Office report said.

The rising popularity of personal computers and of the Internet has created a huge increase in hacking over the past few years, according to computer security experts.

The department stressed that none of the computers compromised by hackers contained classified material. Even so, the GAO report raised concerns that terrorists or other adversaries might be able to seize control of critical defence information systems "and seriously degrade the nation's ability to deploy and sustain military forces". About 120 countries have, or are developing, computer attack capabilities, according to the GAO.

Defence experts also fear the emergence of "information warfare" whereby computer networks might be used to mount attacks so as to disrupt economies by disabling services such as those of banking, telephones and electricity.

Computer security experts suspect that most computer attacks go undetected. This is supported by the GAO report, which describes efforts by the US Defence Information Systems Agency to test the security of departmental computers by mounting thousands of attacks itself. Of the agency's 38,000 attacks, 65 per cent succeeded. Of these, only 4 per cent were detected by the targets and even fewer were reported to the agency. *Louise Kehoe, San Francisco*

Call for Colombian resignations

The directorate of Colombia's opposition Conservative party yesterday called for the resignation of three Liberal party ministers formally accused of covering up contributions by drug traffickers to their party's electoral campaign in 1994.

The prosecutor-general has dropped charges of illegal enrichment which would have sent the ministers to jail. The three – Mr Rodrigo Pardo (foreign relations), Mr Horacio Serpa (interior) and Mr Juan Manuel Turbay (communications) – have agreed to comply with certain restrictions, such as regular reporting to the legal authorities.

The three ministers have said they would continue to serve in the cabinet of President Ernesto Samper. This was seen as helpful to him as he fights charges that he knowingly accepted drugs money in his presidential campaign. A three-man congressional commission investigating him on the issue is to report in the next few days. *Sarita Kendall, Bogotá*

Kantor snipes at ITC

Mr Mickey Kantor, US commerce secretary, has said he supports proposed legislation which would tighten dumping laws, devote more resources to monitoring the implementation of trade pacts and eliminate the International Trade Commission. "I think the Congress ought to take a close look at ... how our trade laws are enforced and how they are carried out," he said, adding that the US has not been "tough enough" in enforcing dumping and countervailing duty laws.

Mr Kantor referred to the ITC as "a so-called independent agency whose deliberations and decisions may not reflect the economic and social needs" of the US. The ITC, which rules on whether US companies are hurt by goods "dumped" in the US market, has been attacked in Congress as being too soft on foreign companies. *Nancy Dunne, Washington*

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Taipower opens reactor bids

Taipower, Taiwan's state electricity utility, today opens bids for two reactors and related equipment for a fourth nuclear power plant. Anti-nuclear activists plan to demonstrate against the re-tender, and the national legislature will vote on whether the long-delayed project should be scrapped. The three qualified bidders are Westinghouse of the US in partnership with Nuclear Electric of the UK; Combustion Engineering, a US unit of Sweden's ABB; and General Electric of the US.

In April 1995, Taipower did not award the tenders for the same project because the bids were well above its budget. The contracts were re-designed and put out again. In 1994, Taiwan's parliament approved a budget of T$112.5bn (£2.7bn) for the plant, on which work had been stalled since 1988. Once completed, the plant will have an installed capacity of 2,700MW. *Laura Tyson, Taipei*

Ford invests in Belarus plant

Ford is to produce Escort cars and Transit vans at Obchuk, near Minsk, under a joint venture with the Belarus government and Lada-OMC, Ford's dealer organisation in the country. Production will start in the third quarter of next year under the terms of an agreement signed in Minsk yesterday. The venture plans to build 6,000 vehicles in the first full year, with the flexibility to raise output as demand increases. The initial investment totals $20m, with Ford holding a 51 per cent stake, the Belarus government 26 and Lada-OMC 23 per cent.

The project forms part of the "Ford 2000" project under which the world's second-largest vehicle maker is establishing a manufacturing presence in strategically important areas around the world. *John Griffiths, London*

Thai Airways buys Boeings

Thai Airways International has signed contracts to buy four Boeing 737-400/500 aircraft and two Boeing 747-400s for Baht 11.8bn ($468m) for delivery between October 1997 and May The purchase reflects the airline's aim of rationalising its fleet. Earlier this month, it ordered nine Airbus aircraft worth $1.1bn for 1997-1999 delivery, and said it planned to buy 21 new aircraft to replace 31 being taken out of service. In February, Thai Airways said it was trimming the number of aircraft models in its 73-aircraft fleet to six from 14. *Foreign Staff*

Koreans in Vietnam venture

Ssangyong Cement Industrial, a unit of the South Korean industrial group Ssangyong, and Korea Heavy Industries and Construction (Hanjung), have signed a $250m joint venture with two Vietnamese partners. The project will involve a cement plant to be built in Quang Ninh Province, and a distribution station at the southern industrial hub of Ho Chi Minh City.

When completed in 1999, the plant will produce 1.4m tonnes of cement a year. Ssangyong Cement Industrial holds 35 per cent of the venture and Hanjung 30 per cent; the rest is divided between Quang Ninh Construction Co and Vinacoal, the state coal corporation. Cement demand is soaring in Vietnam on the back of a building boom. *Jeremy Grant, Hanoi*

Conoco signs Barbados accord

Barbados has signed an offshore oil exploration accord with Conoco. A find of 25m-100m barrels would be commercially exploitable, says the US company. *Canute James, Kingston*

Prospective new members kept waiting while tariff-cutting route is marked out

Apec putting flesh on free trade bones

By Edward Luce in Manila

Officials from the Asia Pacific Economic Co-operation forum yesterday retreated from moves to expand membership of the free trade body. Instead they focused efforts on putting trade liberalisation pledges into practice.

Meeting in Cebu, central Philippines, officials said countries such as India and Russia which had applied to join Apec would be able to attend working committees on areas of collective interest such as energy, telecommunications or customs harmonisation.

Full membership, however, would be postponed until Apec had put flesh on statements of free trade principles made in Indonesia in 1994 and Osaka last year. The group, which has pledged to liberalise trade between developed members by 2010 and developing members by 2020, is meeting to discuss "individual action plans" on tariff reductions in advance of the heads of state meeting in Manila this November.

"While Apec is working out where to go and how it is going to get there, we should keep Apec membership fairly small," said Mr Tony Miller, Hong Kong's trade representative. "Until we've achieved that sort of coherence it should probably be kept that way."

Apec members are working on 18 individual trade liberalisation plans, aiming to produce a coherent document by November. Apec trade ministers meeting in Christchurch in July will also look at documents submitted in Cebu on harmonisation of customs procedures and establishing general rules on protection of intellectual property rights.

Officials, pointing out that there will be nine Apec ministerial meetings in 1996 compared with five last year, say the forum has taken on a new "workmanlike" character in Cebu. "In 1993 and 1994, Apec set out its visions and its goals," said Mr Douglas Poe Ryan, spokesman for the Singapore-based Apec secretariat. "Last year in Osaka we set out the action agenda for trade liberalisation or the "template" as some have called it. Now we are really getting into the practical issues of what will be cut and by when on a country-by-country basis."

Meanwhile, Philippine officials said senior bureaucrats from the Association of South East Asian Nations (Asean) would meet in Manila next month to evaluate a Philippine proposal to extend internal tariff reduction measures to the rest of Apec on a unilateral basis.

Acceptance of the Manila initiative would mean that Asean's goal of achieving a unified tariff rate of 5 per cent by 2003 would be extended to the rest of the world on a Most Favoured Nation basis before Apec pledges to do so by 2010 or 2020.

Manila is also working towards a declaration by heads of state in November in support of "sustainable development" – the transfer of clean technology from developed to developing members – and promotion of Apec principles through ABAC, its business advisory council. Fifteen countries this week announced their ABAC representatives, including Mr Gordon Wu, head of Hopewell Holdings, for Hong Kong; Mr BG Lee Hsien Yang, chief executive of Singapore Telecoms, for Singapore; and Mr Robert Denham, head of Salomon Brothers, for the US.

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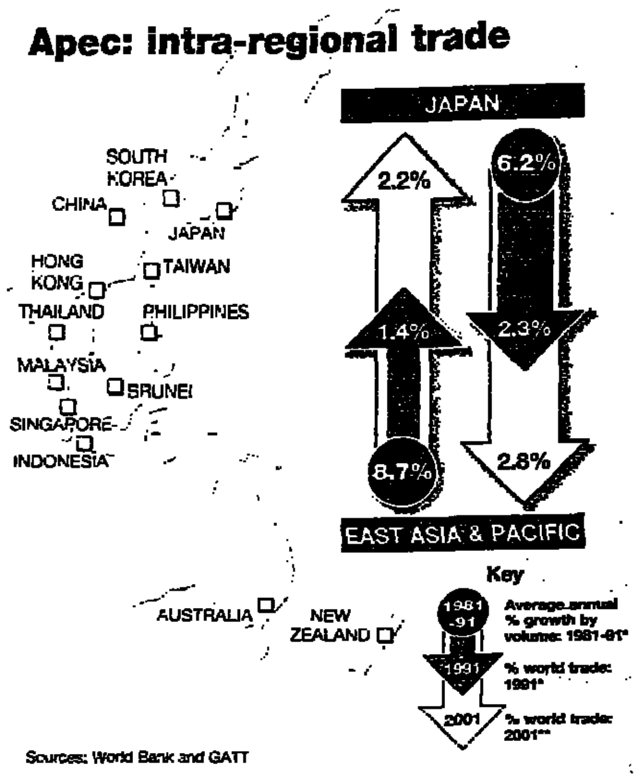


Sources: World Bank and GATT

Old spice port to pep up Sri Lanka trade

Amal Jayasinghe on Colombo's ambitious plans to attack the transhipment market

Sri Lanka is planning a new container port and is refurbishing its largest harbour in an attempt to corner the rapidly growing transhipment cargo market in South Asia.

The government recently issued a letter of intent to a Euro-Chinese consortium to construct the new port at Galle, 72 miles south of the main Colombo port which is also to be redeveloped. The consortium, led by HAM of the Netherlands, will have six months to finalise plans for financing the build-operate-transfer project and come up with feasibility studies, says ports minister Mr M H M Ashraff.

The Dutch colonial rulers of Sri Lanka in the 17th and 18th centuries used the small port at Galle as a centre for their spice trade. The new port to be built by the Dutch-led consortium will be alongside the old one at the Bay of Galle.

HAM's area director, Mr Constans Kootstra, said Sri Lanka had the potential to become a vital hub in South Asia and the company was taking a long-term view of the prospects for the island, despite the Tamil separatist violence.

Mr Ashraff said a 1991 study by the Japanese International Corporation Agency showed the Galle port was feasible and could give jobs to thousands in the south of the island where unemployment was as high as 25 per cent.

"With this brand new port we hope to become the transhipment hub of Asia," Mr Ashraff said. He expected the construction work to be completed in about four years. The consortium will have to hand over the port, estimated to cost around $700m, to the government after 25 years. It is estimated to have a capacity of about a million TEU's (Twenty Foot Equivalent Units) a year although the figures have yet to be finalised.

The minister said further expansions were proposed to the main container port at Colombo which can currently handle 1.6m containers a year. The government in February signed a deal with P&O of the UK and its local partner to lease out the Queen Elizabeth quay at Colombo. The redevelopment is expected to cost about $200m.

With the inauguration of the Jaya terminal last month, the Post Panamax vessels, which can carry between 4,000 and 6,000 TEUs, can now call at Colombo and pick up containers brought by feeder carriers in the region. Nearly 60 per cent of the cargo handled in Colombo is in containers and transhipment business – estimated at 73 per cent of the volume – is growing rapidly, official figures show.

Mr M N Junaid from the shipping ministry said Colombo remained far behind Singapore in the shipping handling league – Singapore has at least 13 times more container capacity. However, Mr Junaid hoped that with tariff increases in Singapore, Sri Lanka would be able to win back some of the Indian cargo.

"About 40 per cent of the Indian export cargo goes to Singapore," he said. "This is ridiculous. This is our business going elsewhere. We are now getting only 20 per cent of the Indian cargo."

"Indian manufacturers produce their goods sometimes 15 days in advance, spend more money and send their West-bound cargo to Singapore because they are assured of good connections," Mr Junaid said. "Now we can offer the same."

Mr Junaid said booming South Asian economies would impose greater demands on the Colombo port. With the development of the QE quay the port would be able to handle another 600,000 to 750,000 containers a year.

Music industry in talks on digital recordings

By Alice Rawsthorn

The world's record companies have started talks with consumer electronics manufacturers on the introduction of digital recording systems amid fears over potential widespread pirating of recordings and a collapse of the compact disc market.

The agreement is intended to encompass the audio version of digital video discs (DVDs), which will go on sale in video form later this year, and the downloading of music in digital form on to discs using DVD players or personal computers.

The talks in Tokyo were attended by the Recording Industry Associations of America and Japan, together with the International Federation of the Phonographic Industry, representing the music industry, and electronics companies including Matsushita, Toshiba, Sony and Philips.

Under discussion was the need to establish a framework to protect record companies' musical copyrights by preventing unauthorised recording on to digital discs. The music industry also raised its concerns over destabilising the market for audio compact discs.

Mr Mike Edwards, the IFPI's director of operations, said discussions were "still at a very, very early stage", but that both camps had identified the chief areas of concern.

The issue of copyright protection is highly complex. Most record companies are fiercely opposed to the prospect of audio DVD players having a recording function, given that the quality of reproduction would be as high as the original, thereby raising the risk of a dramatic increase in pirated recordings.

However, over the longer term, record companies will want to take advantage of advances in digital recording to deliver music directly to consumers by sending digital signals via on-line computer networks. This would enable record companies significantly to increase profits by bypassing retailers.

The second area of concern is the future of existing audio compact discs. The record companies are anxious to ensure that it will be possible to play audio CDs on the new DVD systems, and also that the new digital discs can be played on existing audio CD machines.

Having established the main areas for debate, the music and electronics camps intend to resume discussions at meetings next month. Meanwhile, the electronics industry has yet to conclude its talks with the Hollywood film companies over the copyright issues regarding digital discs.

Romanian venture in rail deal

By Virginia Marsh in Budapest

GEC Alsthom, the Anglo-French engineering company, said yesterday its Romanian joint venture had won a contract to modernise diesel locomotives from the state railways and that it intended to invest a further $3m in the company this year.

GEC Alsthom which formed a joint venture with Faur, one of Romania's main engineering groups and heavy machinery manufacturers in late 1994, said it was hopeful the company would win further contracts once a state rail rehabilitation project got under way later this year. There are also plans for the venture to produce high speed locomotives and tram and rail rolling stock.

Earlier this year the World Bank approved a $120m loan for the modernisation of Romania railways, a project to which the European Bank for Reconstruction and Development is also expected to contribute.

As well as the Faur investment, the Anglo-French group last year took a 51 per cent stake in a $10m joint venture with General Turbo, a Romanian turbo-generator manufacturer, with the aim of having a role in the upgrading of local power plants which is also being partly financed by the World Bank and other international lenders.

Faur, which employs 8,000 at a large plant in Bucharest, said the venture with GEC-Alsthom in which it has a 35 per cent stake, provides more than a fifth of its annual turnover of around $50m. The company is due to be privatised.

Cuba sanctions threaten to sour US-EU relations

By Bruce Clark in Brussels and Nancy Dunne in Washington

US and European business leaders yesterday joined forces to urge their governments to cut artificial barriers to trade, ranging from differing product standards to unilaterally imposed embargoes.

EU diplomats, however, warned that the whole atmosphere in transatlantic economic relations could be soured as the US starts in coming weeks to warn European companies trading with Cuba that they could face penalties.

The US state department is expected to send out "advisory" letters to five or six non-US companies in the next two weeks, drawing attention to new legislation under which the executives of companies trading in Cuba and their families may be barred from the US.

Later, executives and shareholders in such companies will receive more specific warning letters, informing them that the US is likely to deny them visas. The EU has said it reserves the right to retaliate if, as it expects, the World Trade Organisation rules that these measures are illegitimate.

EU officials said the initial despatch of letters could cloud transatlantic relations and cast a shadow over the June 12 summit between President Bill Clinton and the EU Commission and presidency. At a session of the Transatlantic Business Dialogue, launched in Seville last autumn, senior representatives of US and European Union companies said yesterday they would work together for maximum results at the summit.

As priority issues for the meeting, they called on President Clinton and Mr Jacques Santer, the European Commission president, to agree the principle of "tested once, accepted everywhere" for product standards.

In an oblique reference to the looming dispute over Cuba, the business leaders also urged their governments to "avoid the use of unilateral, and especially extra-territorial export controls and sanctions".

Mr Stuart Eizenstat, US deputy commerce secretary, said he was confident that many of the TADB recommendations would be adopted. The TADB was launched by the late Mr Ron Brown, the former commerce secretary.

"The EU and US will move aggressively to remove costly regulatory barriers to economic efficiency and market access, particularly where this requires reform of regulatory processes or approaches," said a draft summit communique suggested by the business leaders. It added that a useful starting point would be completion of mutual recognition agreements this year for medical devices, telecoms equipment, information technology products and electrical equipment.

Similar agreements should be made as soon as possible for chemicals and accountancy services, and by mid-1997 there should be a common registration dossier for pharmaceuticals.

Russia vows to defy US on links with Havana

By Pascal Fletcher in Havana

Mr Yevgeny Primakov, Russia's foreign minister, has sent a clear message to the US that his country will not accept Washington's attempts to curb Moscow's improving political and economic relations with Cuba.

On a two-day visit to Havana which ended yesterday, Mr Primakov said Cuba formed part of a group of nations to which Russia gave priority in relations, though he acknowledged the Moscow-Havana relationship had suffered "ups and downs" since the break-up of the former Soviet Union.

He rejected as "negative and unacceptable" tougher economic sanctions against Cuba introduced by Washington last March 12. Among other restrictions, the US legislation seeks to block Russian support for a nuclear power project and for an intelligence and communications facility in Cuba, both left-overs from the era when Moscow and Havana were close political and military allies.

Apart from existing bilateral trade in Russian oil and Cuban sugar, Mr Primakov said he believed Russia could help to modernise Cuba's industry, most of which had been developed with Soviet support.

Apparently seeking to reassure Washington, Mr Primakov added that, while he expected Russian-Cuban ties to strengthen, this relationship was not "directed against a third country". Moscow would like to see normalisation of relations between the US and Cuba, and was doing its best to contribute to this.

Russian-Cuban trade is far below previous levels, but Moscow has said it is willing to help Cuba complete the unfinished Soviet-designed Juragua nuclear plant.

US intelligence analysts say Russia has been paying Cuba $200m a year in rent for use of a former Soviet signals intelligence and communications facility at Lourdes on the island, a legacy of the cold war Russia has chosen to maintain, much to the annoyance of the Washington government.

Cuba's large stock of Soviet military hardware and its previously Soviet-supplied industry, agriculture and transport sectors are all desperately in need of spare parts, and the possibility of new supplies from Russia has been discussed in recent bilateral talks.

Cuba supplied raw sugar, nickel and citrus to the former Soviet Union, receiving oil, arms, spares and food in return, before the disintegration of the Soviet state disrupted the arms flow.

The two sides have kept up annual sugar-for-oil trade deals.

Five ministers resign from Thai cabinet

By Ted Bardacke in Bangkok

Prime Minister Banharn: way now clear for cabinet reshuffle

Five cabinet ministers from the core party of Thailand's coalition government resigned yesterday, clearing the way for a cabinet reshuffle expected some time after today's parliamentary vote on the 1996-97 fiscal budget.

The five resigning ministers include Mr Newin Chidchob, deputy finance minister, and Mr Suchart Tancharoen, deputy Interior Minister, leaders of the Therd Thai faction within prime minister Banharn Silpa-archa's Chart Thai party, the dominant member of the ruling seven-party coalition.

A leaked central bank report discussed in the Thai parliament identified the two men as allegedly receiving loans from the troubled Bangkok Bank of Commerce, taken over by the government last week.

Observers said the resignations seemed part of a deal allowing Mr Banharn Silpa-archa to win the budget vote and retain the support of the Therd Thai faction but keep other coalition parties in the government by sacking Mr Newin and Mr Suchart.

This move was reflected in the Thai stock market, which rose 1.5 per cent on news of the resignations despite lingering worries about bad loans to the property sector affecting the financial system.

The Palang Dharma party (PDP), led by the telecoms tycoon Mr Thaksin Shinawatra, said its future participation in the government depended on removal of "unacceptable" ministers; it would announce a decision today. Mr Thaksin is under pressure from his anti-government constituency in Bangkok, where the PDP candidate in the June 2 Bangkok governor election, Mr Chamlong Srimuang, trails.

A pullout by the PDP, the third largest party in the seven-party coalition, would not be enough to bring down Mr Banharn's government. But Mr Banharn wants to keep the PDP in the coalition as it provides some much-needed urban middle-class legitimacy to his rural-based government.

The only hitch in the plan is if the Therd Thai faction, which has about 25 supporters, votes against its own party in today's budget vote, opening the way for other coalition parties to abandon the government and forcing its collapse.

Mr Newin said yesterday his faction intended to vote for the government today. But in a speech last weekend in his home province, he said that if he were forced to resign from the cabinet he would engineer a government collapse.

In the same speech he also expressed outrage at the image-conscious PDP, arguing that while his faction was Mr Banharn's "legs", the PDP was merely the prime minister's "trousers".

Warning on 'exodus' to overseas locations

Japan fights European disease

By William Dawkins in Tokyo

Tokyo's top industrial policy makers have launched a campaign to alert Japan against catching what they see as the European disease: rising unemployment and an erosion of competitiveness caused by excessive business taxes and social security costs.

A government advisory panel, sponsored by the Ministry of International Trade and Industry, has warned that the exodus of Japanese manufacturing capacity in search of cheaper locations elsewhere in Asia, about which they used to be relatively sanguine, is threatening to reach dangerous proportions.

The officials who advise the panel fear that unless action is taken to stem the flow, Japan is in danger of losing its pre-eminence as a technical, as well as industrial base. That could inflict long-term damage on industry's capacity to sustain Japan's high levels of employment.

The panel, named the industrial structure council and headed by Mr Shoichiro Toyoda, chairman of the Keidanren economic federation, met to discuss Miti's warnings earlier this month and will meet again, to come up with policy ideas, at the end of August.

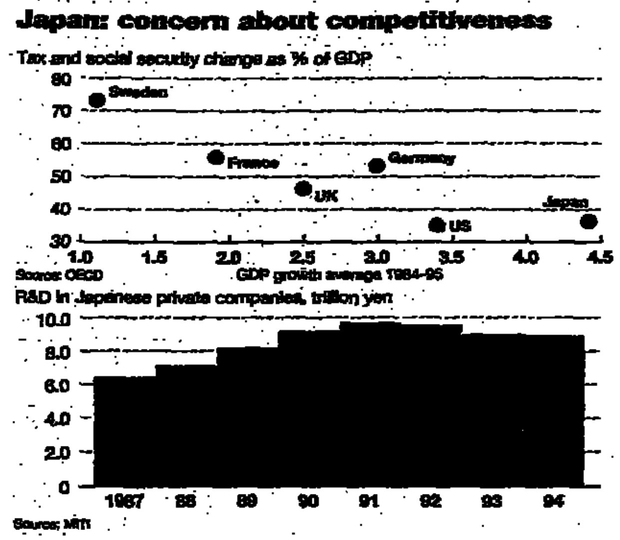
What has worried Miti so much is an in-house survey showing Japanese companies' domestic spending on research and development has declined for the first time since the second world war. Meanwhile, R&D spending of their new overseas affiliates is rising.

The change began four years ago, just after the start of the last recession, and shows no sign of relenting as the domestic economy recovers, officials of Miti's industrial policy bureau say.

It challenges the comfortable old argument, common until recently in Japanese government circles, that Japan's so-called industrial hollowing-out was a sensible re-division of labour, in which labour-intensive manufacturing shifted to lower-wage countries in the rest of Asia, leaving high technology and research in highly-educated Japan.

Initially, hollowing-out was a response to the high yen. But the weakening of the Japanese currency over the past year has laid bare the root of the problem, higher than international average corporate tax rates and social security costs, argues Mr Harufumi Mochizuki, director of Miti's business behaviour division, a unit which studies how companies respond to changes in economic policy.

Japan: concern about competitiveness



Source: OECD

Source: MITI

Japanese companies pay tax and social security worth 13.8 per cent of national income, slightly more than their German counterparts and well ahead of the US and UK. Japanese social security costs will inevitably rise, in line with its fast ageing demographic profile, so the total bill will reach 19.5 per cent of national income, just over the present French total now, by 2025, Mr Mochizuki forecasts.

Not only will a rising social security bill encourage more Japanese companies to accelerate the exodus to cheaper countries, it will be a drag on domestic economic growth, he argues. OECD statistics show a close match between high tax and social security charges and low growth. In the decade to 1993, total Japanese tax and social security receipts, private as well as corporate, were only just over one-third of gross domestic product.

Its economy grew by an average of just under 4.5 per cent in that decade, more than twice as fast as Sweden and France, where taxes represented 70 per cent and 55 per cent of GDP respectively. This leaves Japan with a small number of possible solutions. Mr Mochizuki stresses the debate has only just begun. Miti wants to sound out opinion in other ministries and the private sector before offering concrete proposals.

The first, most obvious step, would be to reduce Japan's heavy reliance on direct taxation by increasing its low sales tax. That is set to start next year, with an existing scheme to increase sales tax from 3 to 5 per cent. The next obvious step would be to reduce the effective corporation tax rate; at just under 50 per cent, this is nearly 10 points higher than in the US and at the same level as Germany. Not surprisingly, the Keidanren has been pushing for this for years. The finance ministry continues to resist, arguing it is more urgent to broaden the tax base and bring the government's ever-mounting debt under control.

It remains to be seen if tinkering with business costs could influence Japanese industry's long-term strategy of moving offshore. The flight, executives in Tokyo explain, is motivated as much by the need to be in emerging markets, as the wish to escape the high premium for a presence in Japan. If so, Miti has begun a losing battle.

Miti's attempt to avoid the European disease will be the centre of a policy debate in Tokyo in the coming year, the outcome of which will affect the well-being of the world's second-biggest economy.

N Korean pilot defects to South

By John Burton in Seoul

A North Korean pilot flying a 1960s MiG-19 fighter aircraft defected to South Korea yesterday in the first such incident in 13 years.

The escape by Captain Lee Chol-su is by far the most dramatic of the estimated 200 North Koreans who have fled via third countries to South Korea in the past few years.

Captain Lee, who was described as a highly-decorated air force pilot, left his base at Onsan and flew over the Yellow Sea, where he indicated his intention to defect by dipping his wings to a group of South Korean interceptor aircraft.

He was then escorted to the Suwon air base south of Seoul.

"I've come to the South because I can no longer live under the North Korean system," he exclaimed.

He leaves behind a wife and two small children.

In spite of his 10 years of service, Captain Lee had only 350 hours of flying time, which indicates that fuel shortages have crippled the training of North Korean pilots.

The defection came several hours after five North Korean naval vessels briefly violated South Korean waters in the Yellow Sea before being chased off by the South Korean navy.

ASIA-PACIFIC NEWS DIGEST

Major's letter backs Patten

Mr John Major, UK prime minister, yesterday gave firm backing to Mr Chris Patten, governor of Hong Kong, in his row with the territory's business community. In a letter to Hong Kong's main business organisations, Mr Major said he found their criticisms of Mr Patten misplaced, and urged business leaders to defend Hong Kong's interests ahead of next year's handover to China.

The letter marked the latest step in a dispute between the governor and the business community. Seven business organisations wrote to Mr Major earlier this week accusing Mr Patten of "inappropriate and divisive" attacks on their ranks.

They claimed the governor had made comments during a recent tour of North America which unfairly criticised businessmen for failing to stand up for the territory. They said his comments had done "a disservice to Hong Kong".

The postal polemics have sharpened a division between the governor and many in the business community over how to handle the handover to China. They have increased the difficulties for Mr Patten as he seeks to muster forces in defence of Hong Kong's institutions and for businessmen hoping to avoid tests of loyalty between present and future political powers.

Beijing's plan to replace the territory's elected legislature has emerged as a focus of the dispute between the business community and Mr Patten and diplomatic strains between Britain and China. *John Ridding, Hong Kong*

Taiwan securities reviewed

Taiwan securities regulators are considering rule changes which would permit domestic companies to list their shares in overseas stock markets, and foreign companies to list on the Taiwan stock exchange. Under proposed changes to be drafted in coming months, companies may be allowed to list their shares on the Taiwan market in foreign currencies, the securities and exchange commission has indicated. But they will be required to choose one currency only and current restrictions on foreign investment in the domestic stock market would apply.

Currently Taiwan companies are permitted issue global depository receipts, but may not directly list overseas. Foreign companies have been allowed to issue Taiwan depository receipts for several years but none have applied. The holdings of foreign investors in Taiwan shares may not exceed 20 per cent of total market capitalisation under existing regulations, but authorities have indicated that this limit may be lifted in the future.

● Taiwan's central bank has cut its rediscount rate to 5.25 percent from 5.5 percent and the rate on accommodations against secured loans to 5.625 from 5.875 effective today. Mr Sheu Yuan-dong, central bank governor, said the central bank would not lower banks' reserve requirements. The market is likely to be disappointed as bankers and investors have been calling for such a move for some time in order to stimulate the economy. Mr Sheu instead urged local banks to lower their prime lending rates. *Laura Tyson in Taipei*

Chinese loans to be increased

Industrial and Commercial Bank of China, China's biggest bank, plans to increase lending for working capital this year by some 10 per cent in line with the government's decision to ease credit to struggling state enterprises.

The official Xinhua newsagency reported that ICBC had allocated Yn6.9bn ($828m) for working capital to support production in 286 state companies. Bank officials said the money was aimed at easing capital shortages.

Priority would be given to enterprises with satisfactory debt repayment records and with relatively good economic prospects. Lending is to be concentrated in the areas of machine-building, chemicals, petrochemicals, electronics, and automobiles. The bank said it was assisting key enterprises among the 1,000 selected by the state for special assistance. China has some 14,000 large and medium-sized state enterprises. *Tony Walker, Beijing*

Kashmir poll passes peacefully

Voters took part in parliamentary elections in Kashmir yesterday in the first poll in the troubled state in seven years. The election was held amid heavy security but went off peacefully despite threats from militant groups boycotting the poll and four minor bomb explosions. Indian government officials said the high turnout – 43 per cent in Anantnag constituency and 35 per cent in Baramulla – is "a mandate of the people for the return of peace and democracy."

Over the past seven years, Kashmiri separatists have waged an armed insurgency. However many Kashmiri voters alleged that the elections and complained that they had been dragged out of their houses by the army and forced to line up outside polling booths in the pouring rain even though they had no desire to vote.

Elections to two more seats in the valley will be held on May 30. The government hopes to announce state assembly elections in July this year, ending seven years of state rule by New Delhi. *Shiraz Sidhva, Kashmir*

Japanese worried by Burma arrests

By Ted Bardacke in Bangkok

The Burmese military junta's detention of democratic supporters of Ms Aung San Suu Kyi this week has strained relations with Japan, potentially the largest foreign investor in the country.

Japanese Prime Minister Ryutaro Hashimoto, expressing his concern at the government's clampdown on members of Ms Suu Kyi's National League for Democracy (NLD), said this week that the detentions ran "counter to democratisation."

The Japanese played an instrumental role in convincing Rangoon to release Ms Suu Kyi from house arrest nearly a year ago.

For the past several months, Tokyo has been trying to arrange a dialogue between the NLD and military leaders in an attempt to create conditions favourable to full resumption of official Japanese aid to Burma, including export credits and risk insurance.

Such a move would unleash a flood of Japanese investment in Burma, particularly by big trading houses keenly eyeing huge opportunities in the resource-rich country, Japanese businessmen say.

So far investment has been limited to a few planned industrial parks and equipment sales, while the Japanese government at present is giving just over $100m a year in "humanitarian assistance".

"Burma's State Law and Order Restoration Council (Slorc) has received a very explicit message that it will take dialogue to get the kind of aid they are deadly eager for," explained a Japanese diplomat.

"But these events are going to make it very difficult for Tokyo to make a decision. Even if people are released next week we can't say that's progress."

Even Thailand, the fourth largest investor in Burma and a major architect of south-east Asia's "constructive engagement" policy with the military, publicly expressed concern.

"We consider [the arrests] counter-productive to the democratisation and national reconciliation process in Burma," said Thai foreign ministry spokesman Mr Surapong Jayanama.

A bill being considered in the US Senate which would prohibit US investment and give President Bill Clinton the option of imposing economic sanctions has also been given additional momentum.

Assistance from the International Monetary Fund and World Bank, which the Burmese government says is necessary if economic growth is to be propelled by more than deficit spending, resource extraction and hotel construction, is as remote as ever.

Members of Ms Suu Kyi's NLD have been gathering in Rangoon for weekend meetings marking the sixth anniversary of the annulment of elections and the imposition of rule by the military junta.

EUROPEAN BEEF CRISIS

Stand-off eclipses the difficulty of lifting ban

By Caroline Southey in Brussels

Britain's threats to snarl up European Union business because of its row with the union over beef exports have eclipsed the problem at the heart of the dispute – how and when the ban on British beef and beef products might be lifted.

The British strategy is to force EU heads of government to engage in the process of finding a solution. But EU officials believe that answers to the crisis, and to the British ban, will be found by ministers, officials and vets from the world of agriculture.

"I can't imagine heads of state or foreign ministers sitting down to discuss technical issues such as 'cohorts' or 'closed herds'," said one EU diplomat.

The next dates in the BSE calendar are June 3 and 4 when agriculture ministers gather in Luxembourg for an emergency meeting. They will be asked to vote on a proposal from Mr Franz Fischler, the EU agriculture commissioner, which foresees the ban on gelatine, tallow and semen being lifted once Britain has put certain processing and control measures in place.

The European Commission believes the chances of achieving a breakthrough on Mr Fischler's proposal have been reduced by the UK policy of non co-operation.

"There was a possibility that some of the countries which voted against the plan in the vets' meeting would swing behind the commission. But if they did so now, it would look as though they had bowed to political pressure," one EU official said.

The commission is crossing its fingers that no other member state will join the seven countries opposed to the plan. If more opposed it this would give the council a simple majority against the proposal – enough to kill it.

The most likely outcome is that the countries which voted against the plan earlier this week do so again, thereby blocking it in the Council of Ministers. Mr Fischler then has the power to implement it, which will be done once Britain has put the methods in place.

However, a showdown between Britain and the other 14 could be prompted by another issue that the UK government wishes to see on the council agenda – the outlines of a framework for future moves to ease the ban.

"What we want is the ministers to agree more forward-leaning language on the way ahead," said a British official.

"If we get this the policy of non co-operation can be brought to a close. "If it is not settled, then beef will dominate the Florence heads of state summit," the UK official added.

The UK government believes Britain should be allowed to export calves, meat from BSE-free herds, embryos and all beef products to countries which are themselves barred from exporting to the EU.

The commission said yesterday that a framework had been established under Mr Fischler's proposal which anticipated the ban would be lifted on a step-by-step basis, starting with gelatine, tallow and semen. The commission also stressed that any easing of the ban would depend on what actions the British government took.

"Implementation of the measures and then verification is what will influence any lifting of the ban," a commission official said.

It would be impossible, he said, to set a timetable tied to specific dates. EU officials are unanimous that any breakthrough rests with Britain.

"The British government has to get out there and start persuading other countries that they are doing enough on BSE," an EU diplomat said. Without such action from Britain, the commission also risks alienating other member states if it pushes them too hard on lifting the ban. "The mood could change and the commission could lose the ground it has gained," said one official.

But, said the EU diplomat: "We've reached a stand-off. I still believe we can move away from that."

■ VETS

Heat is on for the men in white coats

By Caroline Southey

The BSE crisis has broken the secluded calm enjoyed by the European Union's standing veterinary committee. Mostly middle-aged men, they meet at least twice a month in Brussels and, with rare exceptions, the world pays scant attention to the thousands of decisions they make a year.

Now, scrutinised by the press and set upon by their political masters, the vets and officials have been feeling the heat in Britain's battle with its 14 EU partners over the export ban on beef.

Interest in their activities reached fever pitch earlier this week when seven of them voted down a proposal that the ban on three British beef products should be lifted.

This was a rare event. "The vets deal with highly technical issues 99 per cent of the time," an EU official said. "It is seldom that the issues they talk about are too politically charged. Mostly they deal with rather mundane matters."

The mundane extends from approving meat plants in countries that want to export to the EU and deciding how to spend the union's Ecu70m (£55m) emergency fund for disease eradication.

Banning meat exports from particular EU states and ordering the slaughter of animals in the interests of human and animal welfare is not new to the committee. In dealing with infectious diseases, such as swine fever and foot and mouth disease, it has imposed restrictions on countries such as Belgium, Spain, Portugal, Italy and Germany, where some länder are still barred from exporting pig meat.

The power vested in the committee dates back to 1964, when it was charged with looking after animal and public health matters. Although the committee is run and chaired by the European Commission, it is not controlled by it. Instead each vet, or specialist, is under the instructions of his or her government.

The commission cannot act, except in extraordinary circumstances, without first asking the opinion of the vets, although it can ignore that advice.

The professional profile of the people attending the meetings changes according to what is on the agenda. In the case of BSE, each country has been represented by its chief veterinary officer, all of whom are civil servants. But governments are often represented by lower-ranking officials specialising in particular topics.

Britain and Germany are the only countries with two CVOs, with the other 13 member states having one.

An EU diplomat said: "The CVOs all know one another well. Under normal circumstances they are driven by sympathy and solidarity for one another. But when it comes to disease issues they can be quite sceptical. The priority then is to ensure they don't inherit the problems of another member state."

How Britain's EU partners line up on the beef crisis

Britain's relations with its EU partners reached a new low this week as the beef crisis dragged into its second month. John Major has accused some of betrayal, others of failing to see the scientific facts. Yet there is some consensus among the 14 other member states: the UK must do more to guarantee that its beef is safe.

Austria
Voted with Germany against lifting ban on beef by-products, tallow, gelatine and bull semen. Believes UK must take responsibility for the problem. If "appropriate steps" are taken, Austria will not oppose easing ban, but it "will not give in to blackmail". Attributes John Major's response to "domestic political concerns".

Belgium
Voted against partial lifting of the ban. From day one has insisted Britain must have decent identification and tracing regime for cattle. It also believes Britain's selective slaughter should be presented, with all the necessary details, to EU ministers.

Denmark
Favours lifting by-products ban. But believes UK must implement measures to ensure beef's safety before wider lifting of ban can be considered. Believes row can be solved in an atmosphere of calm. Denmark's single biggest export to Britain is bacon and pork products and it would expect British sympathy in similar circumstances.

Finland
Like Sweden, favours lifting the ban on by-products. Appears to have some sympathy for Britain's predicament. Foreign Minister Tarja Halonen says Britain's reaction "may not increase sympathy, but could speed up the process".

France
Favours relaxation of by-products ban. Has tried to win over Iberian and Benelux countries, though sees Germany and Austria as immovable. Sympathy stems from President Chirac's desire for better relations with UK, and desire for EU plan on BSE, including money for French farmers whose herds are affected by BSE. UK must do more to ensure beef safety.

Germany
Led the vote against Commission proposal to lift by-products ban. Chancellor Helmut Kohl indicates sympathy, but in the absence of a scientific consensus on the safety of beef, the embargo stays. Accused by John Major of reneging on promise of support. Bonn says Britain must impose strict measures to ensure beef's safety.

Greece
Supported partial lifting of ban after being given assurances the Commission would see to it that Britain accepted tough monitoring procedures for production of gelatine and tallow. It is expected to follow the mainstream in its attitude to the overall ban.

Ireland
Voted for relaxation of by-products ban. Sympathy bolstered by its own dependence on beef sales. Believes it is possible to make progress on lifting ban on by-products at EU farm ministers' meeting on June 3/4. But the outcome will depend on Britain coming up with a "detailed plan" to eradicate BSE.

Italy
Current holder of EU presidency. Foreign Minister Lamberto Dini says Italy supports early lifting of ban on by-products. But Rome is unimpressed with Major's approach suggesting that "strong-arm tactics or blackmail" are not the way forward.

Luxembourg
Voted with Benelux bloc against lifting ban on by-products, but believes embargo will end soon. Says UK must prove BSE is no danger to health before total lifting of ban. Sees Major's non-co-operation stance as "totally unacceptable", and linked to "internal concerns".

Netherlands
Voted with the Benelux bloc. Says it will stand by the EU ban until Britain improves measures to combat BSE. The problem is a UK one, not a European one, according to Amsterdam. Agriculture Minister Jo Van Aartsen says moves towards a gradual lifting of the ban depend on Britain.

Portugal
Voted with Spain against lifting by-products ban, though not unsympathetic. One of the countries John Major accused of breach of faith. Condemns Britain's use of an "ultimatum". Lisbon wants EU to do all possible to help Britain, but feels UK is slow to implement practical measures to address the problem.

Spain
Voted against lifting by-products ban. Initially sympathetic and reluctant to close borders. Joined the embargo because it feared a flood of imports from other markets. Under its new centre-right government it has since become a hardliner. Says the UK must provide sufficient guarantees to restore consumer confidence.

Sweden
Supported move to lift ban on by-products. Has been careful not to take a final position on whether Britain has done enough to merit lifting the total ban. Sweden was one of the first to introduce an embargo. It banned the use of animal remains in animal feed in the mid-1980s when the BSE scare in Britain began.

■ GERMANY – By Judy Dempsey

Coping with a 'catastrophe' out on the farm

Last Wednesday was Mr Heinz Deselaers's 57th birthday, but the farmer from Geldern in Germany's Rhineland, had little cause for celebration.

"It is a catastrophe. The BSE crisis is affecting all of us. Prices continue to fall. It is not just a British problem. It is a European-wide problem. We have to find a solution," said Mr Deselaers, who has 350 bullocks and has raised beef on his 50-hectare farm since 1971.

He cannot understand the British government. "The British politicians and the vets knew there was a problem with their beef for some time. But they reacted too slowly. Now the crisis is affecting nearly every beef farmer in Europe."

German beef farmers had hoped the BSE problem would be confined to Britain.

"After all, Germany had introduced the proper standards for protection against BSE in 1936. But the consumer does not think about that. They are simply not buying our beef. Even my normal traders to whom I sell beef offer me very low prices, or else they don't buy. They say they can't move the beef from the supermarket shelves."

Mr Deselaers could diversify, but he recently invested in a new cattle shed. He expects last year's pre-tax profits of DM100,000 (£43,478.20) on sales, including beef and pork, of DM1.2m to plummet. "What can we do? We are hoping the British will tackle the problem once and for all instead of lashing out at the Europeans."

His hopes are shared by his colleagues across the country. "I long for the days when this BSE crisis is over. I can't stand it any longer," said Mr Ludwig Gruber, 49, another farmer. "The problem is that I see no end in sight. It is really a catastrophe."

Mr Gruber has been rearing beef on his 50-hectare farm south of the Bavarian city of Regensburg, near the banks of the river Danube since 1965. His wife and five children help out, typical of many German farms. He hopes his children will not become disenchanted with life on the farm because of what has happened to him.

"Prices have collapsed. I have 140 calves and bullocks aged up to 16 months. Before the BSE crisis, the traders would pay me DM6 a kilo. The prices have slipped to about DM4.50," Mr Gruber said. Last year he had sales of DM300,000. Like Mr Deselaers, he dares not speculate on his fall in income this year.

No matter what the German government or the country's farmers' association does in terms of promoting a campaign which says German beef is safe to eat, Mr Gruber says the consumer does not believe it. "The consumer is switching to pork. Its a simple fact that beef now has a negative image."

■ PORTUGAL – By Peter Wise

Slaughter seen as vital to restoring confidence

A cement plant in central Portugal is today incinerating the remains of 1,667 head of cattle.

The slaughter is part of Portugal's own scheme to eradicate BSE, which affects less than 0.5 per cent of the national herd. All 35 cases of BSE confirmed since 1990 – out of a national herd of 700,000 – are attributed to imported British cattle or feed.

Government officials see the Es500m operation, implemented without support from the EU, as vital to restoring confidence in Portuguese beef. They fear Britain may damage the European meat industry by delaying similar measures.

But many farmers view the plan as a public relations exercise that will lift consumer confidence, but which is technically dubious and unjust.

"From a scientific point of view, the plan is a muddle that makes no sense," says Mr José Carlos Pereira, a veterinary doctor in the northern town of Barcelos, the area most affected by the slaughter. "The likelihood is that we have been slaughtering innocents. I'm sure that tests will show that most of these animals were not infected.

"Our most serious concern is that the plan in no way ensures the eradication of BSE. That can be done only by quarantining infected herds and carefully controlling animal feeds. New cases are almost certain to appear in Portugal in the future."

All cattle that had been in contact with animals infected with BSE and all surviving cattle imported from the UK were slaughtered from May 9 to May 12 under the government plan.

"Animals are being slaughtered needlessly. Contamination by contact is far from proven," says one agricultural worker in Barcelos. "If cases of mad cow disease appear in the future, farmers will be tempted to hush them up and bury the animals secretly because they won't want to lose their whole herd."

"The public is confused," says Mr Domingos Beirão, who runs a farm co-operative in Barcelos. "We need to hear a clear, authoritative opinion on BSE from the international scientific community rather than political arguments."

Portugal's BSE operation has run smoothly. But a number of farmers resisted, resulting in scuffles and protests. "Owners were upset when they were given only a day's notice that they had to deliver their animals for slaughter," says Mr Beirão. "They felt as if they were being robbed."

The government says its payments are equal to the full market price. Most protests were caused by a sharp difference – Es40,000 instead of Es190,000 per bullock – in the amount of compensation paid if an animal's lineage was not registered. "This measure has left poor farmers poorer, because only farms with large herds have to register their records," says Mr Beirão.

The government transferred money to slaughterhouses so that farmers could be paid as they handed over their animals. Commercial slaughter of cattle for meat consumption, which fell to 30 per cent of the usual level in April, has climbed back to 70 per cent of normal as consumers regain confidence in Portuguese beef.

"The kind of measures Portugal has taken at least have a psychological effect," says Mr Beirão. "We appreciate the huge scale of the problem in the UK. But I personally feel it is in Britain's own interest to do something similar."

■ SCIENCE – By Deborah Hargreaves

UK stance wins backing of world health watchdog

When UK government ministers say they want the European farm council to rely on scientific evidence for easing the ban on beef by-products, they have the backing of the World Health Organisation.

At a meeting in April, the WHO reviewed research into whether infectious prion proteins, which are believed to cause bovine spongiform encephalopathy – or mad cow disease – could be passed on in gelatine and tallow products. The organisation came to the conclusion that as long as these products were processed at high enough temperatures, there was no risk.

"We injected the end product, such as gelatine, into mice to see if they contracted the disease and found there was no infectivity," said Dr David Heymann, WHO director.

However, the WHO does warn that as an additional precaution, bovine products for use in medicines should come only from countries with no, or only sporadic, cases of BSE.

The organisation stressed that research into the way BSE is transmitted is not complete. It warned that removing offals from the food chain and inactivating prion proteins by treating them at a high temperature "contribute to the reduction of the risk of infection".

But it points out that the BSE agent is "remarkably resistant" to processes that destroy the infectivity of common micro-organisms. Dr François Meslin, from the WHO, explains that the BSE agent can survive normal food processing techniques, such as pasteurisation and sterilisation.

"We are saying that products must be processed at higher temperatures than normal and under higher pressure," he said.

The organisation made a number of recommendations about processing methods for gelatine and tallow to ensure that the prions were destroyed. These involved raising the temperatures for gelatine production and ensuring effective rendering practices – also increasing processing heat – for tallow.

The European Commission later adopted these recommendations for the production of by-products as a precondition for an easing of the ban.

British producers of gelatine and tallow say that many of the recommendations on processing were already in place. In addition, they have not been using specified bovine offals in the production of by-products for many years.

Dr Meslin said that there was also no evidence to show that semen from bulls infected with BSE is contaminated with the prions that cause it. He said experiments injecting cows with semen from infected bulls had so far not resulted in any offspring contracting the disease.

■ SUMMIT IMPACT – By Bruce Clark and Gillian Tett

Ugly scenes are unlikely to disrupt moves to integration

Britain may create some ugly diplomatic scenes if it acts on its threat to disrupt next month's European Union summit, but it is unlikely to disrupt its partners' progress towards closer integration, according to EU diplomats.

While Britain's exact posture is not yet clear, Mr John Major, the prime minister, is expected to go to Florence with a pledge not to enter negotiations about any subject, or subscribe to any joint initiative, until he gets satisfaction over the beef issue.

Summits usually end with the publication of "conclusions" by the country which holds the rotating presidency – in this case, Italy – after agreement from the visiting heads of government. In Florence Mr Romani Prodi, the new Italian prime minister, may be forced to issue his statement – which will cover subjects ranging from the Middle East to the EU's internal reforms – in the name of Britain's 14 partners.

A messy conclusion to the summit would infuriate the Italian leadership, which is working hard to reassert Rome's position on the European stage, as well as leaders like Chancellor Helmut Kohl, who is keen to see a stronger government in Rome. The other party that would be seriously upset by a diplomatic row in Florence is the European Commission and its president, Mr Jacques Santer, who is seeking approval for a programme to combat unemployment throughout the European Union.

However Britain and several other EU members have reservations about allowing the Commission to deepen its involvement in labour market issues, and a watering down of Mr Santer's plans would not be seen as a disaster for European integration.

On a host of other issues that will be raised in Florence, even before this week Britain had come close to opting out of the debate. For UK officials, this means that they can practise their boycott with relatively little risk of damaging national interests.

Diplomats from other EU nations, however, say Britain's self-isolation merely underlines its irrelevance in many areas of European policy – from the reform of EU institutions to the establishment of economic and monetary union.

When European finance ministers gathered in Verona in April, French officials were adamant that the UK could not E delay Emu. "Preparations for monetary union and all that it entails are going ahead – with or without Britain," said one French minister.

Such a sentiment is likely to pervade the Florence summit. EU diplomats say Britain will not be missed greatly if it withdraws from the Florence debate on Emu, which is unlikely in any case to produce any landmark decisions.

Because the Verona meeting was more productive than expected, the Florence summit's discussions on Emu could be little more than a rubber-stamping exercise.

An issue which might provoke more discussion in Florence is the mechanism that might be used to encourage governments to control fiscal deficits after monetary union – the so-called stability pact.

Previous German proposals for a formal fiscal stability pact, complete with automatic sanctions, are fading from view.

But in place of them, the Commission is now drawing up plans to strengthen the existing mechanisms in the Maastricht treaty that can punish countries which run excessive deficits, including better systems of mutual surveillance.

■ BEYOND EU

Trading takes a knock worldwide

By William Dawkins in Tokyo, Nikki Tait in Sydney and Patti Waldmeir in Washington

Outside the European Union, views about the beef crisis range from the supreme indifference of the US to the extreme caution of Japan, which banned British beef 45 years ago. Meanwhile, Australian beef producers have been hoping they can capitalise on British problems as a marketing opportunity for their own beef.

UK beef was proscribed in Tokyo in 1951 for fear of spreading foot and mouth disease. That ban was never lifted. There were – until recently – exceptions; beef from Northern Ireland was considered acceptable by the Japanese agriculture ministry, as were processed and heat-treated products like sausages, petfood and animal feed.

But the ministry banned Northern Irish beef in March, the day after the European Commission ordered the ban on UK beef imports. Food stores have also been told to display the origins of imported beef.

The US and Canada banned the import of beef and beef products in 1989 at the time of the first BSE outbreak and the government sees no chance of that ban being lifted in the near future. A more pressing problem for the US is the EU's restriction on US beef entering European markets because of concerns about hormone-treated beef.

The US Department of Agriculture estimates $100m in lost sales because of the EU ban, while US beef exporting groups envisage there would be a $200m to $300m-a-year market in Europe.

The US embassy in London said yesterday the BSE crisis was perceived in the US as very much a European problem.

Consumption of beef had not been affected by fears of the disease, in fact, the US Department of Agriculture is forecasting a big jump in beef sales. Many US farmers are slaughtering cattle because high grain prices makes them unprofitable to feed. This has pushed down the price of beef and is expected to lead to an increase in consumption.

In Sydney, an import ban was placed in March on products containing British beef components and a small number of items – mainly soups, smallgoods and gravy granules – were plucked from Australian supermarket shelves. Australia does not import beef or cattle products themselves from the UK.

Trade officials and producers hoped that they could gain additional export sales to countries outside the EU. However, the Australian Meat and Livestock Corporation which handles industry marketing, said yesterday that only a few additional supply arrangements had materialised.

"The main effect has been to depress worldwide consumption of beef," it said, noting the big downturn in Germany, softness in North Asia, and even a "minor effect" in Australia. It said that there were some recent signs that consumers were returning, but did not think that any easing of the EU ban would make an appreciable difference at this stage.

The direct impact of the Japanese ban on Northern Irish beef has been tiny. It only accounted for 180 tonnes, or 0.03 per cent of the 648,737 tonnes of beef imported to Japan last year.

Japan bought just over 60 per cent of its beef from abroad last year, and of those imports nearly half came from Australia and 46 per cent from the US.

There is, however, a wider concern that hygiene-conscious Japanese consumers' anxieties over mad cow disease might hit imports in general. The BSE scare has caused a decline of between 6 per cent and 10 per cent in beef sales in recent weeks, reports to the Japanese Chain Store Association.

Until now, beef has been one of Japan's import success stories. Attitudes have changed radically since former agriculture minister Mr Tsutomu Hata tried in 1987 to persuade Japan's trade partners that it could not reduce import duties on beef because Japanese intestines were longer than US ones and therefore could not cope with US meat.

Import duties and quotas were eventually eased in 1991, since when the volume of foreign beef eaten in Japan has nearly doubled. Japanese intestines are, it is supposed, undamaged by the experience.

NEWS: UK

Ban on export of sheep to Spain is overturned

By Robert Rice, Legal Correspondent

A British ban on exports of live sheep to Spain was ruled unlawful yesterday by the European Court of Justice.

The Luxembourg court said the UK agriculture ministry had been wrong to deny a licence to a sheep exporter on the grounds that Spain had not properly implemented European Union rules on the humane slaughter of animals.

The UK could not justify breaking one EU trade rule simply to counter a breach of another by another member state. The judges said the British government should pay compensation to the exporter, Hedley Lomas, but left it to the English High Court to determine the level of damages.

The agriculture ministry said it was "pleased the European Court has said it is for the national court to assess whether damages are recoverable based on substantiated evidence from Hedley Lomas".

The UK government yesterday announced an outbreak of Newcastle disease on a farm in southern England, Deborah Hargreaves writes. The disease affects poultry, pigeons and other birds which have to be slaughtered immediately. The agriculture ministry stressed that the disease could not be contracted from eating chicken, but it could cause conjunctivitis and flu-like symptoms in people in contact with infected poultry.

The ministry imposed a protection zone of 3km around the infected premises in East Sussex. All birds in the zone must be slaughtered whether diseased or not, and compensation will be paid for healthy birds which have to be destroyed.

Hedley Lomas took the government to court in 1992 after the ministry refused it an export licence. The ministry believed the Spanish slaughterhouse concerned was not properly stunning animals before slaughter as required by a 1974 European directive.

But the Luxembourg judges said the UK was not even in a position to produce any proof of non-compliance with the directive by the Spanish slaughterhouse. Hedley Lomas said the slaughterhouse had been approved by Spanish authorities in 1986 and was complying with directives on the prevention of unnecessary suffering by animals.

"Member states must rely on trust in each other to carry out inspections on their respective territories," said the court. "A member state may not therefore unilaterally adopt, on its own authority, corrective protective measures designed to obviate any breach by another member state of European law."

The judges said the breach of European law was sufficiently serious to give Hedley Lomas grounds for a compensation claim, but it was up to the High Court to decide whether there was a direct link between the breach of the UK's obligations and the loss suffered by the exporter.

Company chief warns of threat to investment

By Peter Marsh in London

J.C. Bamford Excavators, one of Britain's biggest and most profitable privately owned manufacturers, has warned that a four-year investment programme could be threatened if a Labour government implemented the European Union's social chapter.

Sir Anthony Bamford, JCB's chairman, said he might be forced to "rethink" some aspects of the £132m ($200m) programme if the Labour party enacted legislation that restricted his company's ability to organise its workforce in a flexible way. Such legislation could include controls on total working hours. "If the social chapter came in, [to Britain] our costs would go up," said Sir Anthony.

Sir Anthony's warning is among the strongest from any large UK company about labour laws that might be brought in by a new government formed by Labour – which has already promised to implement the chapter as one of its first acts. The issue has already sparked strong political argument, with the prime minister branding the chapter "immoral" and a blow to job creation.

"Companies with good [labour] practices would have nothing to fear from the chapter, and by this we would include JCB," said a Labour party official.

Sir Anthony, a strong Conservative supporter, said he was "not afraid" of a Labour government. But applying the social chapter would mean that Britain would join other parts of Europe in "pricing itself out of world markets" in important industrial sectors.

If the chapter had a negative effect on UK business, JCB's investment programme might have to be reduced, or the company might open factories in countries with lower labour costs.

JCB had sales last year of £704.6m, of which nearly 70 per cent was exports.

JCB results, Page 26

MPs may face curb on paid advocacy

MPs may soon be banned from making speeches or asking questions in parliament on behalf of the governments and private organisations that pay for their trips outside Britain, James Blitz writes at Westminster.

Members of the House of Commons standards and privileges committee are expected next month to press for this significant extension of the recent ban on paid advocacy by parliamentarians. The move is being strongly opposed by some MPs who argue that it would be a significant restriction on research trips.

However, several members of the committee believe that a new code of conduct, to be published soon, must extend the advocacy ban to visits outside Britain paid for with private funds.

Publication of the Commons' register of members' interests earlier this year threw up inconsistencies in entries from MPs, with many failing to disclose pay from outside bodies.

But the exact scope of the recent ban on paid advocacy is now being seen as uncertain following the passage of new rules by the Commons.

The rules, introduced last November, stated that MPs would be banned from tabling parliamentary questions or making speeches in the Commons on behalf of companies or institutions from which they received money. But MPs are asking whether there is much distinction between this rule and, for example, a member making a trip to a country in which a company explains its international marketing strategy while offering hospitality.

Some MPs argue that British and other institutions win favour with many of their colleagues each year by paying for them to undertake elaborate fact-finding trips outside Britain. Others think difficulties would arise in defining whether charitable or academic trips should also be included. "The Konrad Adenauer foundation invites MPs to conferences each year where they meet people from foreign governments," said one MP. "Would you forbid MPs from speaking in the Commons about anything they had learned on those trips?"

Tony Blair explores the common ground with the EU's only centre left governing party

Labour party leader seeks Italian allies

By John Kampfner in Rome

As Mr John Major, the UK prime minister, convened the first meeting of his self-styled "war cabinet" over the beef issue yesterday, the leader of the main opposition party, Mr Tony Blair, was on a solo diplomatic mission to persuade the new Italian government of his European credentials and the safety of British beef.

The venue for Mr Blair's trip, the latest in a series of getting-to-know-you meetings with national leaders, was especially important. Italy currently holds the presidency of the European Council.

A complication for Mr Blair was the need to juggle his itinerary at the last moment to fit in with a debate in the Italian senate on the incoming government's legislative programme.

Mr Blair's meeting with Mr Romano Prodi, the new Italian prime minister, had been designed as an opportunity for both men to share experiences on the construction of new political forces of the centre left. Mr Prodi's Olive Tree coalition cabinet was sworn in last Saturday, marking the first leftist administration in Italy's post-war republic. Mr Blair's party has been out of office only 17 years.

Massimo D'Alema (left), leader of Italy's Party of the Democratic Left, meets Tony Blair, leader of the UK's Labour party

The Labour leader began his stay with a call on Mr Massimo D'Alema, the leader of the Party of the Democratic Left (PDS) which over the past five years has forged a new image itself after the break-up of the old Italian Communist party (PCI). The PDS is now the main grouping in the ruling alliance and the country's largest political party.

The Olive Tree is the only large centre-left government in the European Union. Mr Blair hopes that – if Mr Prodi survives, and the average longevity of Italian governments since the war has been less than one year – the Italian prime minister could become one of his closest allies in the EU during difficult times ahead between Britain and other member states.

Mr Blair has been likened by parts of the Italian media to US President Bill Clinton. However, despite extensive analysis of the Labour leader in the Italian press in recent days, he appeared not to attract the attention of Romans eating their lunch in cafes in the city's main squares as he was given a brief guided tour by the British ambassador.

Mr Prodi's meeting with Mr Blair followed a hurried return from parliament, where he was having to defend his policy of giving priority to bringing down Italy's budget deficit and inflation rate in order to meet the convergence criteria for joining a European single currency in 1999.

In the climate of increasingly virulent Euro-scepticism, Mr Blair has avoided, like Mr Major, committing himself to a decision on monetary union.

Mr Major's new-found resolve to block all European business until measures are taken to remove the ban on British beef has placed Mr Blair in a quandary. Labour is waiting to see how the policy develops before criticising it too openly. The Italian foreign minister Mr Lamberto Dini, prime minister in the previous administration, criticised Mr Major's announcement in more forthright tones than many EU statesmen. But Mr Blair could not bring himself to echo such explicit criticism.

With an eye to the next opinion polls, which Labour strategists fear might give the Tories a small boost as a result of Mr Major's beef threats, Mr Blair said: "Any efforts by Conservative Central Office to turn [the beef crisis] into an election ploy is foolish and would backfire."

Jersey welcomes visitors seeking limited liability

By Philip Jeune in Jersey

Big accountancy and law firms will soon be able to protect themselves from "rogue litigation" by establishing a limited liability partnership in Jersey. Legislation due to be on the island's statute book before the end of the year will be the first of its kind in Europe. It will enable partners in firms to avoid being pursued by a dissatisfied client to the point of bankruptcy.

Jersey, the largest of the Channel Islands between England and France, is able to develop the facility since although a dependency of the British Crown it has wide law-making powers outside the jurisdiction of the Westminster Parliament. The proposed law will be debated by the States of Jersey, the island's assembly, on June 18 and should be enacted in 1997.

Mr Richard Syvret, director of the Jersey Financial Services Department, said: "We make a point of consulting very widely and very deeply with the professions to ensure that our laws are developed within a user-friendly framework. We can also move more quickly than the UK once we spot a gap in the market."

The need for limited liability protection was brought home vividly to UK professional firms last year when a British court awarded £65m ($98.8m) in damages to the electronics firm ADT in an action brought against Binder Hamlyn, one of Britain's biggest accountancy firms. The sum in damages and costs amounts to easily one of the largest awards against a British accountancy firm.

The award was against BDO Binder Hamlyn, a predecessor firm to Binder Hamlyn, because of information it had volunteered about Britannia Security Group during its takeover by ADT. The accountancy firm will appeal and an out-of-court settlement is possible.

But it was an approach by another of Britain's largest firms of accountants, Price Waterhouse, which set the Jersey authorities on the path towards permitting limited liability partnerships (LLPs). If litigation is begun against an LLP, the negligent partner is still liable, and all the assets of the partnership would be available to creditors. The important distinction from an unlimited partnership is that the personal assets of individual partners not responsible for the negligent act would be protected.

Under the proposed Jersey legislation, each LLP would be required to lodge £5m with a bank in Jersey which must be made available for any judgments against the partnership.

Price Waterhouse approached Jersey's Financial Services Department about introducing LLPs following talks with the UK authorities. "We had a sympathetic hearing from the [British] government, but it was made clear to to us that this is some way off," said Mr Ian Brindle, PW senior partner.

"Under current UK law, which dates from Victorian times, partners can be pursued, quite literally, for the shirts or blouses off their backs," added Mr Brindle. "This is something the new Jersey law would prevent."

Apart from a modest registration fee, Jersey's coffers will not benefit directly from big UK accountancy and legal firms establishing LLPs. Generally the Jersey partnership will be "transparent" for tax purposes.

What the LLPs will bring, however, is prestige, raising the profile of Jersey as it becomes known that some of Britain's biggest firms have established their partnerships within its shores.

The Jersey authorities have looked far afield for precedents, in particular to the US state of Delaware, where a similar law already exists. All the biggest US accountancy firms utilise the Delaware system, which has since been adopted by several other US states.

Ernst & Young may be among the first of the big UK firms to become an LLP. Senior partner, Mr Nick Land, said: "Initial consultations with a small number of clients and with all our partners have produced a very positive reaction. Over the last few years the accountancy profession has been the subject of increasing amounts of litigation fuelled by the doctrine of joint and several liability. In the current climate our partners are exposed to significant personal risks and along with our competitors we have been investigating ways to reduce this risk substantially."

Shareholders and bankers support campaign for law reform

Shareholders, company directors and bankers yesterday backed a campaign by professionals to press the UK government into wholesale reform of the law of joint and several liability, our Accountancy Correspondent writes. Sixteen organisations said in a letter to Mr Ian Lang, chief industry minister, that the present law was "flawed". Signatories included the Institute of Directors, the National Association of Pension Funds and the London Investment Banking Association.

"If ever the government was presented with compelling evidence of the need for reform, this is it," said Mr Graham Ward, chairman of the group which has led calls for reform on behalf of the Institute of Chartered Accountants in England and Wales (ICAEW). Auditors and other professionals such as architects, engineers and actuaries want the law changed so that they face damages proportional to their degree of fault – as in the US, parts of Europe, and some countries in the Commonwealth.

Yesterday's letter represents a significant broadening of the campaign for reform beyond the professionals affected by a switch to proportionality. It reflects growing concern that professionals restrict their services to reflect the high legal risks.

Mr Gerry Acher, head of the audit faculty for the ICAEW, said the wider support, particularly from the pension funds, showed that the present system "was inefficient in terms of operating audit and other professional services". He said that as a result there were fears it would lead to "defensive" auditing in which risks were avoided, and that there was evidence such a defensive attitude was spreading to other sectors such as the construction industry.

NEWS: UK

General Electric Company joins contestant against McDonnell Douglas, Matra and BAe

Hughes finds partner for missile bid

By Bernard Gray, Defence Correspondent

Hughes, the US missiles and electronics company, has recruited the UK's General Electric Company to its team bidding for a £650m ($988m) UK cruise missile competition. The precise work GEC will undertake if Hughes wins the contract has not been decided, but Hughes yesterday said that it was likely to involve system electronics and testing. It would probably amount to about 10 per cent of the contract's value.

The move comes as the war to provide the UK's Royal Air Force fighters with long-range highly accurate missiles is hotting up.

Hughes, which has been viewed as the leading US contender for the contract, has suffered for its very limited UK involvement, while GEC's own offering for the competition has in effect been ruled out.

There are four leading contenders for the contract, two from the US and two European teams. Hughes is widely viewed as the leading US offer, with its smaller-scale version of the Tomahawk cruise missile. McDonnell Douglas is offering a version of a missile in service with the US Navy, called GrandSlam.

The leading European contender is the Storm Shadow from British Aerospace and French-owned Matra. Last year the French government insisted that the contract should be awarded to the BAe-Matra team as a precondition for allowing the two companies to pool their missile businesses. That condition has now been dropped and the companies have agreed to merge. But French government approval will not be given until after the UK decision on the missile competition in July, and if the BAe-Matra team loses, the deal could collapse.

The other European contender is the Daimler-Benz Aerospace and Bofors KEPD 350, which has scored well with the UK defence ministry's Procurement Executive as a cost-effective weapon, but the team has been weakened by its lack of significant UK partners.

The ministry and the Department of Trade and Industry are looking to see if the contract could be used to rationalise overcapacity in the European missile industry. Matra and BAe argue strongly that their joint venture will provide a starting point.

Daimler argues that its close ties to BAe and GEC on the Eurofighter combat aircraft make a longer-term missile link logical. However, nothing substantial is likely to be negotiated before the contract is awarded, and British ministers may not want to damage the BAe-Matra deal in the vague hope of an Anglo-German link.

Neither US contender suggests that its bid would provide significant rationalisation. However, Hughes is working with BAe on offering a new air-to-air dogfight missile to the US, and has promised UK contractors $120m of work on a cruise missile competition in the US if it wins the Pentagon contract.

'They figured we were colonials,' says US Name

By Richard Waters in New York

Lloyd's, the private London insurance market, has fallen prey in recent months to a familiar mistake: a failure to understand the US. And this time, with a vote on the market's future drawing near, it could be costly.

Lloyd's failure to anticipate problems brewing on the other side of the Atlantic has put it on the defensive in two US legal battles, handing the tactical advantage to its opponents.

Mr Ronald Sandler, the chief executive of Lloyd's, who was in New York yesterday to promote a reconstruction plan to Names there, admitted that the market's 2,700 members in the US present the single biggest obstacle to the market's plans for survival. Names are individuals whose assets have traditionally supported the insurance market.

While around 80 per cent of Names around the world back the restructuring plan, he said, opposition in the US is higher – though supporters there are still "in the majority". Mr Sandler added that he was confident that the market's authorities would win sufficient support.

To do so, they will have to anticipate and counter legal assaults better than they have in recent months. First came a series of attacks from state-level securities regulators, beginning late last year. Led by authorities in California, which tried to freeze the $12bn US trust fund out of which insurance claims are paid, they have questioned whether US names were recruited illegally.

Lloyd's had not expected this: all its efforts had been

LLOYD'S
LLOYD'S OF LONDON

spent cultivating the body that represents the country's state insurance regulators, the National Association of Insurance Commissioners. On this, at least, it was successful. The NAIC, mindful of the threat to the solvency of US insurance companies that have reinsured risks at Lloyd's, has backed the market against the securities commissioners. The second US assault has been even more surprising to the authorities at Lloyd's futuristic headquarters in the City of London. In early May, the Securities and Exchange Commission filed a motion in a federal court in California supporting an appeal by a large group of Names to have their claims against Lloyd's heard in a US Court. The London market has fought off three such appeals court cases before, but has never faced the opposition of the SEC before.

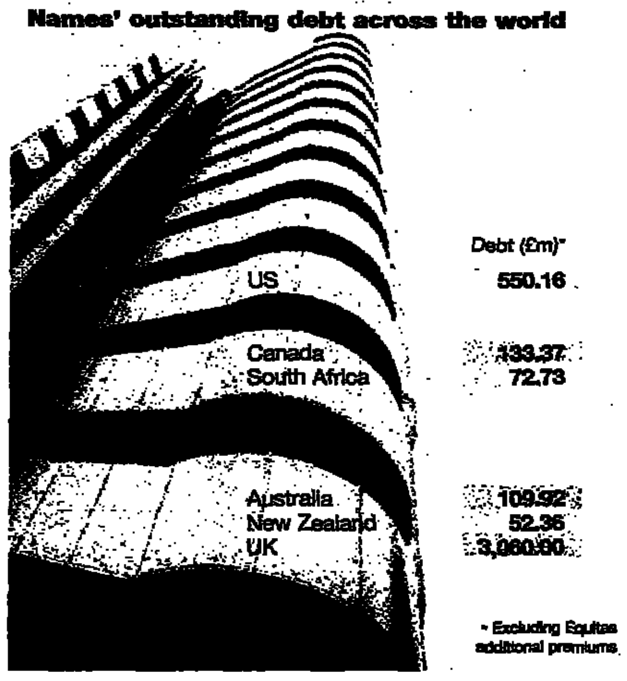
The SEC's move has served to focus attention on a question that Lloyd's would rather remain unresolved: does joining Lloyd's count as making investment under US securities laws? The question is of more than academic interest. If the answer is yes, then Lloyd's Names would be covered by the anti-fraud provisions of US securities law, opening up extra avenues for potential legal action over the manner in which US Names were first recruited to the market. To add to Lloyd's discomfort, the US Postal Service has started its own investigation into the same questions.

For its part, the SEC has never taken a formal view on whether Lloyd's is covered by US securities law. However, Mr John Avery, the SEC lawyer handling the Lloyd's case, says he believes they are – and that many other SEC staffers agree. Lloyd's says it has never reached an agreement with the agency on this question, but concedes that it has always acted as though a Lloyd's investment counted as an unregistered security.

It is Lloyd's willingness to recruit actively in the US, from the mid 1970s onwards, in spite of this uncertainty, that underpins its legal difficulties. And Lloyd's seems to have done little to resolve the issue. Mr Avery says: "They've never actually sat down and run us through their arguments." That could prove a costly miscalculation. As Mr Sandler conceded yesterday, US Names have greater opportunities, given the nature of the US legal system, to cause trouble than do Names in other countries. Yet, he added, the market has no intention of buying the support of US Names by offering them a better deal.

Some US Names, however, show every sign of using whatever legal powers they have. "They figured that we were the colonials and that we weren't very bright," said Mrs Barbara Lyons, a New York Name who joined up in 1979 with the compensation she received after her husband died in an air crash. "You take your chances when you gamble – but not when the deck's stacked against you. I've reached a point where I don't want to pay any more."

Names' outstanding debt across the world



Glove puppet rights sell for $2.1m

By John Gapper and Alice Rawsthorn

The rights to Sooty, the badly behaved puppet bear with black ears who often squirts water at his fellow puppet Sweep, were sold yesterday for £1.4m ($2.12m).

Countless repetitions of the catchphrase "Izzy whizzy, let's get busy" as Sooty prepares to make magic have helped to conjure up the latest example of a high price being paid for a long-established children's brand.

Sooty, Sweep the dog and Soo the panda, were sold along with various water pistols and magic wands, to the Global Rights Development Fund, managed by the development capital arm of the City merchant bank Guinness Mahon.

Mr Matthew Corbett, whose father Harry bought Sooty for 7s 6d (£0.37½) in 1948 for his newly born son, decided to sell the rights after finding that none of his three children wanted to take his place as Sooty's stage companion.

In January, the rights to the Enid Blyton characters Noddy, the Famous Five and the Secret Seven were sold by her heirs to the leisure company Trocadero for £13m.

Mr Corbett, who has been seeking a buyer for Sooty for the past six months, said he and Sooty had found the City a strange place. "We were up to 04h30 discussing the deal with lawyers. It was quite bizarre, and it made me realise I am a dolly-waggler, not a big businessman," he said.

The Global Rights Development Fund, in which Guinness Mahon and Sony are investors along with several UK pension funds, is an £8m fund that specialises in buying intellectual copyright, and already owns rights to Thomas the Tank Engine.

Mr Simon Turner, the fund's senior investment manager, said Sooty was an established business with a turnover of £1m and annual profits of between £200,000 and £300,000, that could be valued according to normal measures.

UK NEWS DIGEST

Internet move for consumers

UK consumers are to be offered an electronic marketplace on the Internet which would enable them to club together to negotiate group discounts on anything from washing machines to cars and package holidays. The Consumers' Association, publisher of Which? magazine, is introducing the service in a range of experimental products to be launched on the Internet in the autumn and called Which Online.

"The idea is to allow someone who wants to buy a Ford Scorpio to get together with five other people who also want to buy a Ford Scorpio," said Mr Alan Stevens, editor of Which? On-Line. The potential buyers can then exchange information to discover the cheapest dealer and approach the dealer together to secure the best price.

Stefan Wagstyl, Industrial Editor

Minister heads for Russia

Mr Ian Lang, chief industry ministry, is going on a three-day trade visit to Moscow and St Petersburg next week. It will be the first to Russia by a trade secretary in nearly four years. Mr Lang plans to sign one agreement to expand scientific exchanges and hopes to complete a second promoting co-operation in the nuclear industry, including the treatment of nuclear waste and safety services. The UK is Russia's third largest trade partner.

Stefan Wagstyl

Exchange reform nears

The London Stock Exchange yesterday moved closer to reforming the City of London's share trading methods as Mr Kenneth Clarke, chancellor of the exchequer, accepted in principle the idea that brokers should retain tax privileges in a reformed market. The exchange plans a two-tier market in which order-driven trading is supplemented by firms that trade blocks of shares to provide liquidity to big investors. This is due start next year.

John Gapper, Banking Editor

Two-speed economy persists

Consumer spending recorded its strongest growth for more than two years in the early months of 1996, but UK manufacturers' order books are in their weakest state since the end of 1993. The dichotomy between the UK's stagnating manufacturing sector and its buoyant service industries was underlined by a series of official statistics and business surveys yesterday. They highlight the difficulties posed to the Treasury and the Bank of England by Britain's two-speed economy.

After taking account of inflation, consumer spending grew by a seasonally adjusted 0.8 per cent in the first quarter of the year, the Office for National Statistics said yesterday. This was the highest figure for nine quarters. Output in manufacturing fell for the second successive quarter, reflecting weak export growth and companies' efforts to shed stocks of unsold goods.

Robert Chote, Economics Editor

Award for FT journalist

FT journalist Jonathan Guthrie has been awarded the 1996 Technical Pensions and Investment Journalist of the Year award. His winning submissions about the politics behind the UK Pensions Act and a financial squeeze at municipal authorities were written for the FT magazine Pensions Management before he joined the FT last year.

Freelance writer Peta Hodge, a contributor to the personal finance pages of the FT, won the 1996 Consumer Pensions and Investment Journalist of the Year. The awards were sponsored by actuaries Alexander Clay.

Ideas riding on the swell of ambition

David Lawson explores the definitions and future of this growing industry

Imagine a whole city run by the private sector. Not so far-fetched when you consider how much importance the government places on outsourcing local services – and the noises New Labour is making about professional city mayors if it wins power.

In fact, why not pass central government services across the divide? Indeed, the private finance initiative (PFI) steamroller is already heading in that direction.

In the private sector, businesses have for some years been pursuing a policy of farming out non-core services. Local authorities and central government have followed, as a result of government-inspired initiatives such as compulsory competitive tendering and PFI.

Yet, confusion about the role, value and future direction of facilities management, particularly as it affects the property sector, remains. Some advocates see its remit widening further. Thus, Mr Lionel Prodgers, joint managing director of Chesterton Facilities and Property Management (CFPM), insists that the facilities manager does not necessarily just provide services but decides whether they are actually needed.

Hence, the idea of a town run by managers responsible for outsourcing all main services – answerable to the politicians, of course – put forward by Mr Oliver Jones, FM managing director for the Symonds Group. He sees this as a natural development, particularly in the light of the comparatively small savings achieved so far through compulsory competitive tendering.

Moves in this direction may, however, not advance far beyond theory. Although the same umbrella term – facilities management – covers both providers and arrangers of services, most companies within the sector are in fact still involved mainly in delivery.

In the marketplace, too, single-service contracts – whereby companies provide clients with catering, cleaning, or a similar single outsourced service – predominate, according to the annual industry review sponsored by Mowlem and published by the Centre For Facilities Management at Strathclyde Business School.

Yet, many operators are seeking to increase their presence at the higher management end of the spectrum by acquiring consultancies. In recent years, Honeywell has taken over FM²; Johnson has acquired Procord; Chesterton has won British Gas FM; and Symonds has thrown in its lot with Compagnie Générale des Eaux.

Whether this represents the future direction for the sector is open to debate, however. Mr Don Kenny, managing director of Mowlem FM, for example, believes the industry will polarise into service and management companies. The two areas require different skills, he says. Facilities managers need to focus on strategy, while service suppliers concentrate on people management.

Despite these uncertainties, however, there can be little denying that the industry has grown impressively in recent years. Market Audit, a study by Asset Management, estimated the current UK market at £47bn excluding IT services. About £20bn of this has been contracted out, and has produced cost savings of 7 per cent in the public sector and up to 20 per cent in businesses.

Property has shown particularly strong growth, with management of buildings considered by many companies to be very much a non core activity. According to the report, some 36 per cent of British companies were happy to outsource in this area. More than a quarter of all businesses aim to farm this out in the next five years.

The benefits, of course, work both ways. Property agents and construction companies have seen facilities management as offering an alternative to the problems experienced during the course of the recession in their own depressed core markets.

At the same time, long-standing service suppliers have been keen to expand. Hence, the current state of flux in the industry, leading to takeovers such as Rentokil/BET and a host of smaller mergers. "Control companies continue to acquire managing agents and are beginning to establish a market lead," according to the CPM/Mowlem report.

Underneath, a more fundamental examination is going on. Management becomes impossible without proper tools to analyse processes and costs, and without measures of efficiency. "Anyone can save money by cutting costs. The real test is increasing value," says Mr Prodgers, who is developing software powerful enough to handle complex FM needs.

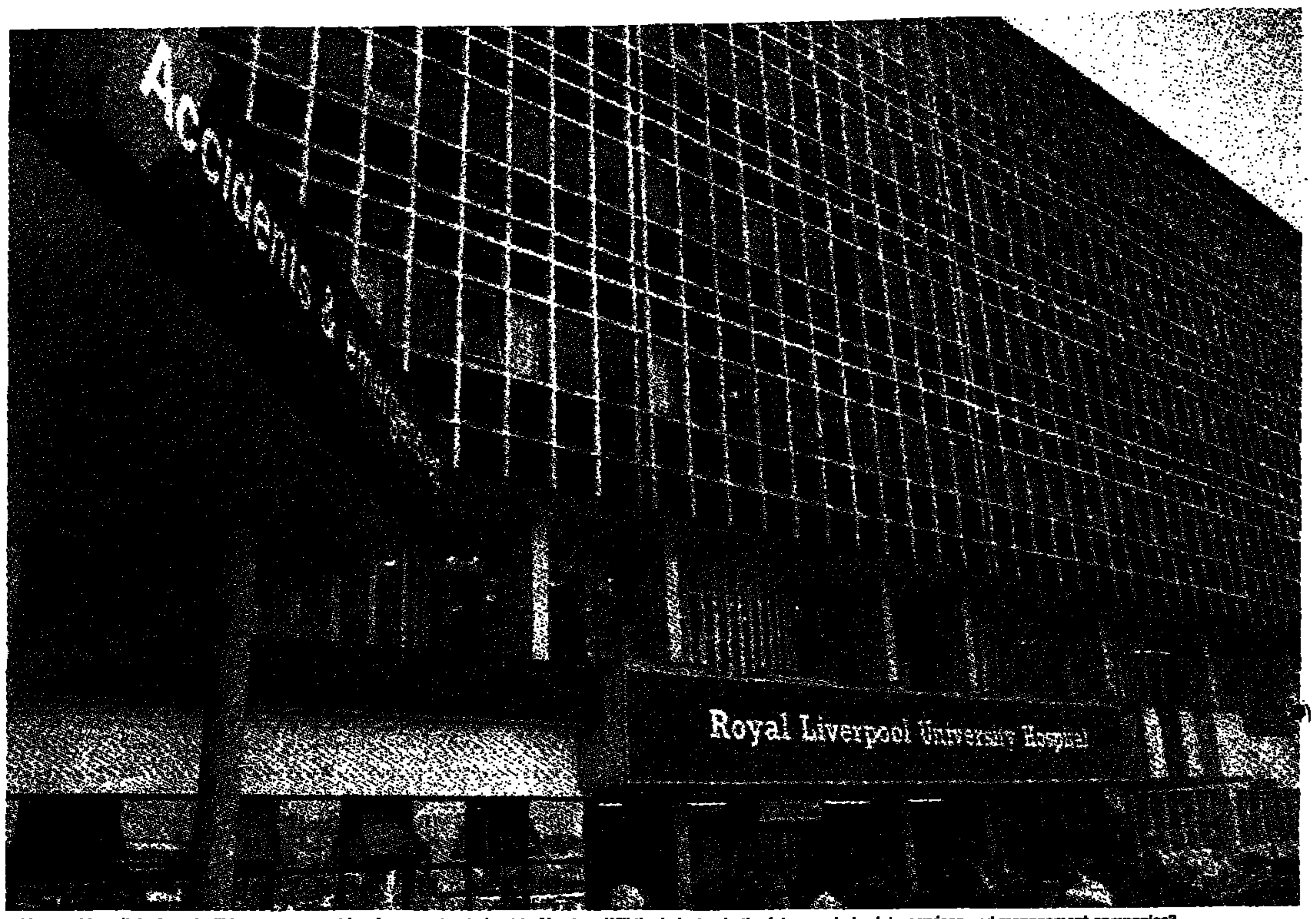
The British Institute of Facilities Managers is also trying to set up industry standards to act as benchmarks but there are still problems over defining costs. Most data are historical or expensive, making it difficult for consumers to assess value for money. Ms Elizabeth Collie of the property agents, King Sturge, also points out that FM has traditionally serviced owner-occupiers, and has not been geared to providing data on investments, with their extra need for dealing with service charges. This is already proving a problem on some government estates.

One certainty is that outsourcing of services will grow. Who manages that process is debateable. Mr David Miller, managing director of FM², puts question marks against many current operators. Property agents have problems to overcome in their own core area plus the difficulty of adjusting from servicing the need of landlords to serving the needs of users. They would have to buy expertise, as Chesterton has.

Traditional service suppliers are suffering severely from cut-throat tendering and are trying desperately to move into management as a way out. "They should stick to what they are good at," says Mr Miller, who predicts more mergers in the BET mould.

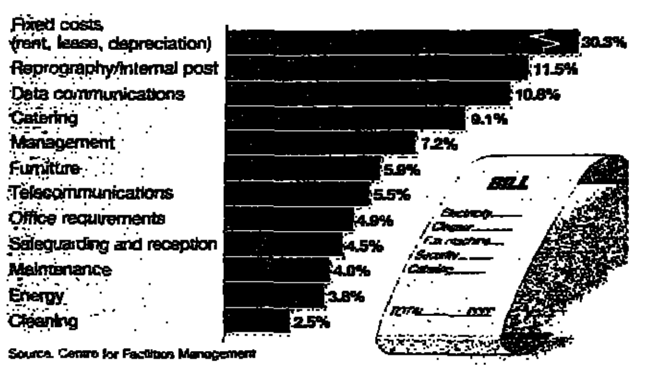
Another pitfall waiting along what most hoped would be the road to riches could be the end of recession. "This would remove some of the cost pressures that have driven market growth," says Mr David Sharpe of Asset Information. Businesses could pull back in-house outsourced services – a real threat where traditional managers are jealous of their power – or at least cutback on further contracts.

But the consensus is that facilities management in all its guises is near the beginning of a growth curve. This may be less steep than it has been in recent times but should still continue to climb upwards as businesses become more experienced in outsourcing.



A Liverpool hospital where facilities management has been contracted out to Mowlem. Will the industry, in the future, polarise into services and management companies?

Annual costs of a workplace



Source: Centre for Facilities Management

■ **International:** by David Lawson

A bruising welcome can await the newcomer

FM specialists are looking beyond the EU and US at China and the Asian 'tigers'

It had been a tough trip. Five countries in as many days and little to show for it other than a black eye and several dog-eared phrase books. "A *guy in Hungary thought I was* trying to steal his cleaning contract," said the battered traveller, begging to remain anonymous after telling jealous colleagues his bruises were to be blamed on a night on the town.

The potential for misunderstanding is not usually so violent when facilities managers try to sell their wares outside traditional markets. But it can be frustrating. "They don't even have equivalent terms in other languages," added this novice salesman.

That is not surprising, considering how new the concept still is in most countries. Yet that lack of development is the very factor enticing FM specialists into the wider world. As growth slows from more than 30 per cent a year to nearer 20 per cent in mature markets such as the UK, Netherlands and US, suppliers are drawing up game plans for international expansion.

The 12 EU members, for instance, could share an FM market worth some $1,300bn by the end of the decade, according to estimates by Johnson Controls.

Such fantastic figures raise *eyebrows among even the most* optimistic analysts, who point out that this includes work that will never be outsourced as well as IT spending. But they agree that the potential is enormous if other nations follow patterns set in the UK and US.

Pitfalls are also legion. Black eyes may be rare but more experienced operators recognise that battling to supplant entrenched suppliers can be figuratively bruising. So they are aiming to export higher-level strategic skills, structured to work through local outlets.

The most promising markets are among multinationals which seek continental, or even global standards. "They are no longer seeing the world according to offices or even countries," says Mr Oliver Jones, managing director of facilities management for Symonds. "Today we are looking at time zones such as the Americas, EMEA (Europe, Middle East, Africa) and the Pacific Rim."

IBM, for instance, tendered out all 8.8m sq ft of its office, manufacturing and storage facilities across 13 countries. *Not surprisingly, this was won* by Johnson Controls, which already handled the estate in the US, Netherlands and UK. These cover maintenance, cleaning, reprographics, mail room, reception, grounds, engineering and capital projects. A crucial part of the deal is that more than 150 staff will transfer from IBM to Johnson and day-to-day management will be done locally. But Mr Richard Zipeure, business development director of Johnson Controls Europe, feels this may not be a portent for large groups opening up frontiers. "Within other *multinationals there is not* such an autonomy," he says. "That is why success is dependent on a robust spread of clients." The Hungarian encountered by our novice traveller was certainly robust – revealing another layer of problems faced by any business trying to penetrate new markets.

Even when control remains local, switching to another source can disrupt managers who have built client relationships. "Then there are all the other hurdles such as language, contract structure, skills and culture," says Mr *David Miller, managing director* of consultants FM². "In Germany, for instance, only 10 per cent of catering is outsourced, the exact opposite of the US."

On the other hand, mainland Europe and parts of south-east Asia share common factors which could drive the market forward. Cost reduction is paramount in the battle for international efficiency. So is the advance of regulations covering health and safety, and the need for specialists to handle more complex buildings. Some governments are also following the UK lead in privatising services traditionally carried out in the public sector.

Lack of progress is partly because most countries have not yet encountered the driving forces of multinationals, global performance benchmarking and the persuasive powers of FM consultants.

The UK has, after all only recently realised that the battery of none-core services that businesses have handled themselves for centuries can be farmed out in a comprehensive fashion to specialists.

The most promising targets picked out by Johnson Controls in its European study *reflect the scale and growth of* economies. The lion's share of projected growth in outsourced facilities across the EU from $260bn to almost $400bn will be in Germany. This dwarfs the rest of Europe, with growth of $156bn – the total shared equally between the UK, Italy and France put together.

Then there are the tiger economies of south-east Asia, and waiting beyond them the immeasurable potential of mainland China. The tidal wave of development, particularly mixed-use developments, is providing a fertile hunting ground for FM specialists offering strategic management skills honed in northern Europe and the US. Most of the top consultants have already merged into international groups or already have global business contacts. Organisations which do not have an existing overseas infrastructure will find the going tough, says Mr Robert Sharp, new managing director of Drake and Scull Technical Services. The group has already begun building on its experience with contracts to manage facilities at Macau Airport and the Armed Forces Officers Club in *Abu Dhabi*.

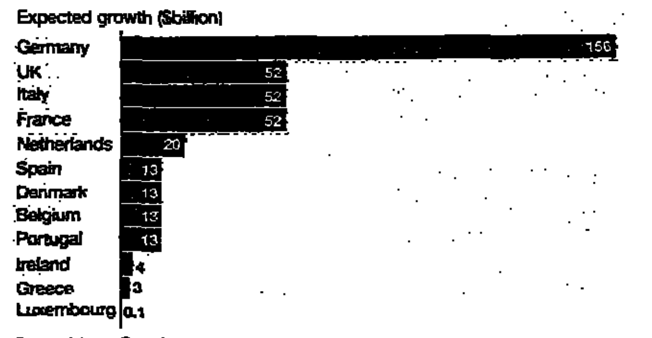
US-based Johnson Controls acquired Procord, a management buy-out from IBM, to gain a UK foothold. It could move in a similar direction in the Nordic countries after taking over the Stockholm-based company PRN, which had provided IBM's services. FM² was acquired by Honeywell for the same reason, linking international financial muscle with management expertise.

Symonds reversed this transatlantic flow by setting up Affiliated Building Services in the US, the home of these international giants, and promptly snapped up the first contract in a phased programme of outsourcing by Nynex.

But the UK manager has also felt the need for deeper pockets and wider contacts elsewhere in the world, and is now a subsidiary of Compagnie Générale des Eaux. It has used these to expand in the Asia/Pacific region by acquiring transport consultant Hendersons. A Symonds business has also opened in Australia. This will also aim to tap the immature FM markets across south-east Asia.

These international groups seem likely winners in the increasingly global battle for markets. Novices struggling to protect themselves against irate Hungarian cleaners might be *better off sticking to a language* they know.

European market up to 2000



Source: Johnson Controls


David Miller, managing director of FM²: 'problems to overcome'

■ **Private Finance Initiative:** by Kate Lowe

A scheme with promises still unfulfilled

The nature of PFI deals means that there are risks present as in any other FM contract

Like so many "big ideas", the government's Private Finance Initiative – essentially a scheme to inject private finance into publicly-sponsored capital projects – is taking its time to live up to its promises.

Four years into PFI methodology, the members of the consortia chasing contracts to design, build, finance and operate anything from hospital wards to new central government offices, continue to decry the costs of bidding while other potential participants have held back, unable to justify the transfer of risk that lies at the heart of PFI.

Last month the Treasury Committee published a report on PFI describing government expectations that PFI spending which had risen from £300m in 1993-94 to £600m in 1995-96 would treble in 1996-97 to £1.7bn as "at the very least, optimistic."

However, facilities management companies remain positive about the opportunities opened up under PFI. Of all the partners that make up the consortia bidding for work, facilities management companies are probably the most comfortable operating in circumstances where tough performance criteria and long-term partnerships with clients are order of the day – both issues which lie at the heart of PFI.

Currently, while the in-house teams of government departments may need some advice from FM consultants when assessing bids, the vast majority of the work available for FM companies derives from the commitment of the private partners under PFI to provide building maintenance and other services to their public sector tenants for periods of typically 25 years.

The problem is that with a typical lead time of three to five years before a building project is complete, there is a long wait before FM companies can expect to see any return on their involvement. "My perception is that facilities management firms have not rushed to get involved – PFI is a long protracted business," says Mr Andrew Russell, head of the PFI unit at property consultancy Chesterton International. "There are long periods of silence for the FM operator and then the building starts going up – you don't start getting paid until it is finished."

But as Mr Nigel Manger, associate director at Symonds Facilities Management points out, there can be useful work picked up on the way: "Many hospital trusts for example are interested in the FM operator taking over the facilities management of their existing hospital – they see it as an excellent way of moving staff over to the new operation."

Meanwhile, the lengthy nature of the operational side of PFI contracts means there is a growing recognition that FMers with their service expertise need to be involved up front – with the possibility of additional fees. The importance of looking out for the operational needs of the building at the design phase is so important that consortia which regard FM as simply an additional feature, will find professional FM companies rejecting their approaches: "We turn people away now if they approach us with a PFI proposal that has to be in in one month," says Mr Wayne Felton, managing director of FM giant Procord.

One hurdle for many FM companies has been dealing with overspecified and hence costly tenders from prospective public sector tenants. "Part of the problem was that the people who were buying were in a process that perhaps they didn't understand, moving into a highly commercial environment and facing multimillion pound orders," says Mr John Ellis, director at Haden Facilities Management.

Once into the operational stage of the PFI contract, the charge for the operation of services – pegged to the retail price index – has to be right: "Someone has to say we can deliver services at this level for 25 years – if they get the price wrong and they can't increase efficiencies, they will be suffering for a long time," says Mr Russell. Many cash-strapped public sector tenants meanwhile, used to operating in badly maintained buildings, are out of touch with the real cost of providing such services. "In one contract we looked at, outstanding repairs ran to £16m – this is obviously going to mean a significant change to current service level spending," says Mr Manger.

As in other FM contracts, the operator takes the risk of non-availability of a facility or service. "In a hospital, for example, you get paid for the number of beds available – that is no different from existing contracts," says Mr Felton.

But one complication is the expectation that market testing of services will continue. "Will a trust that wants greater efficiencies impose a regime where the facilities manager has to test subcontractors across the board every five years, or will they allow it to do what it wants – this is still being debated," says Mr Marshall Levine, partner at Linklaters and Paines.

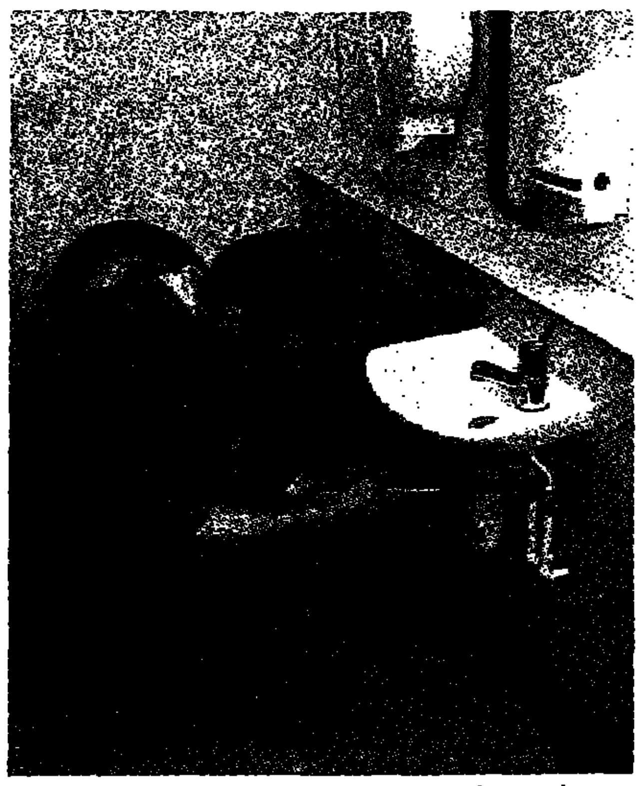
Meanwhile the FM operator may have to find alternative users for a building that forms part of a PFI contract. Procord is currently bidding for a contract with the British Museum to refurbish a building which it will not occupy immediately. "We would take on the risk therefore of finding other tenants who can fill the building temporarily," explains Mr Felton.

Other risks involved include changes in the law – on health and safety for example – which cannot be predicted but can have a profound effect on the working environment and its maintenance. The same problem arises with technology. "When you are looking at the output specification you are looking at creating a particular kind of environment – this could change," explains Mr Mike McGeever, business development manager at Tarmac Servicemaster.

Still, many believe FMers could and should be taking a lead role in PFI projects – not least because, they argue, it is FM companies which understand best what the impact of building design and refurbishment will be on maintenance and the provision of services over a long period of time.

Mr Russell argues: "A 5 per cent saving on the cost of running a building is much more important than its construction cost. FM is therefore intrinsically more important."

And the signs are that FM companies are getting ready to make this leap. Both Procord and Symonds EM, in partnership with the Symonds Group project management operation, are looking seriously at leading PFI consortia which could see them doing everything from organising the financing of large projects – taking an equity stake if appropriate – to recruiting designers, builders and advisers.



Managing facilities: the unglamorous but essential services remain

"Our parent company, Johnson Controls has taken a PFI style role as the lead integrator for the JFK airport in the States where it pulled together finance partners and so on," says Mr Felton. "We are now relaunching ourselves as the prime integrator for PFI projects in the UK."

Meanwhile, Mowlem Facilities Management, in association with a major clearing bank, has already funded a bid for a £100m hospital contract. Mr Tony Lenehan, a director, explains "The rational for FM firms leading PFI is based on the whole life cycle approach. PFI means working in partnership for a long period of time – this makes it ideal for facilities people to be co-ordinating the whole project rather than just supporting."

Kate Lowe is assistant editor of Property Week

Business functions assessed*

	Core	Non-core	Currently outsourced
Customer service	81	10	4
Accounts department	80	16	2
Personnel administration	80	19	2
Quality assurance	79	10	6
Marketing	70	17	14
Procurement	67	23	5
IT function	51	46	33
Recruitment	45	52	33
Training	41	57	36
Other accounting	37	28	15
Network management	35	50	12
Pensions administration	27	62	38
Buildings FM	17	74	36
Fleet management/cars	14	77	33
Share registration	7	47	34

*Considered (% respondents) Source: A study on outsourcing by Andersen Consulting 1993

■ **Residential property:** by David Lawson

Set for a great leap forward

Property managers' skills and the strategic powers of FM specialists are necessary

Commercial premises monopolise attention as facilities management evolves into a recognised discipline. That is almost inevitable, considering the complex range of services involved in running modern buildings, and the pressures on occupiers to cut costs. Moves have already been made into such buildings as hospitals and schools.

But the industry is now poised for a far bigger leap. The proposed sale of 60,000 Ministry of Defence homes has reminded managers that there is a huge property sector yet to conquer. Housing does not fit easily into facilities management, however. Most homes are owned by individuals rather than businesses, and those held for investment have traditionally been handled by letting agents.

Two gaps are opening, however, which could allow FM specialists to move into this sector. Tenants are becoming more demanding, partly because of new laws increasing their power to influence landlords. Investors are also aware of the competition they face from a surge of new rented property, coming onto the market, and are keen to improve standards.

Smart owners recognise the dangers of the "Teflon desk syndrome", according to Mr Oliver Jones, FM managing director at the Symonds Group. This involves agents simply passing on costs in service charges, leading to increasing dissatisfaction among tenants.

"We are having discussions with major residential property estates about how we might reduce charges and provide a better service," he says. This would combine the skills of property managers with the strategic and and purchasing powers FM specialists provide to the commercial property sector.

But there is a grey area between private and investment housing which could fit even more closely into the role facilities managers play as servants of occupiers rather than landlords.

Big organisations such as international banks, large manufacturers, hotels and oil companies hold sizeable portfolios of homes for staff accommodation.

"These are crying out for attention," says Mr Lionel Prodgers, joint managing director of Chesterton Facilities and Property Management (CFPM). Ironically, the first thing an FM specialist might do is sell them off. Accommodation is really just another support service, says Mr Prodgers. They don't own the lorries that move goods, nor the cars their staff drive. So why hold houses?

The Ministry of Defence has half-answered that question by selling off the whole of its married quarters. But it will lease back those occupied by service personnel. An alternative would have been to hand over the whole task to an FM specialist, which could pick and choose property as and when required.

This is what Shell has done in Aberdeen for its 1,200-strong Brent Offshore development team. Bell-Ingram, a Scottish manager now part of Chesterton, was called in to look after the residential estate in 1994 after a long history providing professional services on pipeline development as well as finding and managing the division's new offices.

This involved around £100m of housing for staff ranging from the managing director to the newest graduate. Now almost all property is rented.

This is perhaps the crucial difference between property and facilities management. The former takes over responsibility for rent collecting and maintaining the bricks and mortar; the latter steps back and asks strategic questions about how a service should be provided.

Shell's particular needs involve a large, but ever-shifting group. "There can be 20 people coming and going in one month," says Mr Ken Thomson, head of CFPM in Scotland. But in the next, only a couple may move.

The large stock of homes was held to ensure a sufficient range of choice. Housing is part of Shell's staff incentives, so it needs to be not just of the right type but the right quality. But that meant carrying the cost of excess. Thomson points out that a 10 per cent void level could waste £1m a year.

Switching to rented homes means he can take on property of the right type when needed. CFPM also standardised all the leases to cut paperwork time and expense. But it is a very thin tightrope to walk, and running this kind of service requires a battery of management tools.

The first was relatively simple: a 24-hour help desk to give tenants an immediate response to problems ranging from a broken dishwasher to a collapsing roof. Shell monitors staff views on their homes, and this contributes – or deducts – from CFPM's performance bonuses.

However, the rest was more complex – but could prove extremely lucrative in the long run. CFPM has used the Aberdeen contract as a testbed for developing a suite of FM software geared to housing that it now hopes to use in winning further contracts. This covers everything from preventive maintenance, through accounting and tendering to recording the particular needs of tenants. It also helps portfolio management – another area common to FM but foreign to normal property management.

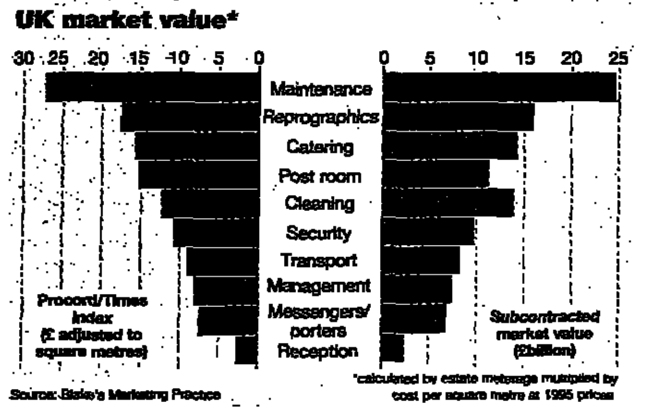
Mr Thomson has to juggle various lease lengths and property types to ensure that he matches the various needs of a changing group of staff. That entails tracking and forecasting Shell's needs.

As the biggest customer in Aberdeen, he can pull heavy strings with local agents to ensure the right kind of property is on tap. Too much empty space and the performance bonus suffers again. Too little – or the wrong kind – and people complain.

This has worked well enough to save £250,000 on maintenance alone, and won CFPM a discretionary bonus from Shell in its first year. The success of the partnership even persuaded the oil company to open its computers to hand over tax information, so Chesterton can calculate staff allowances.

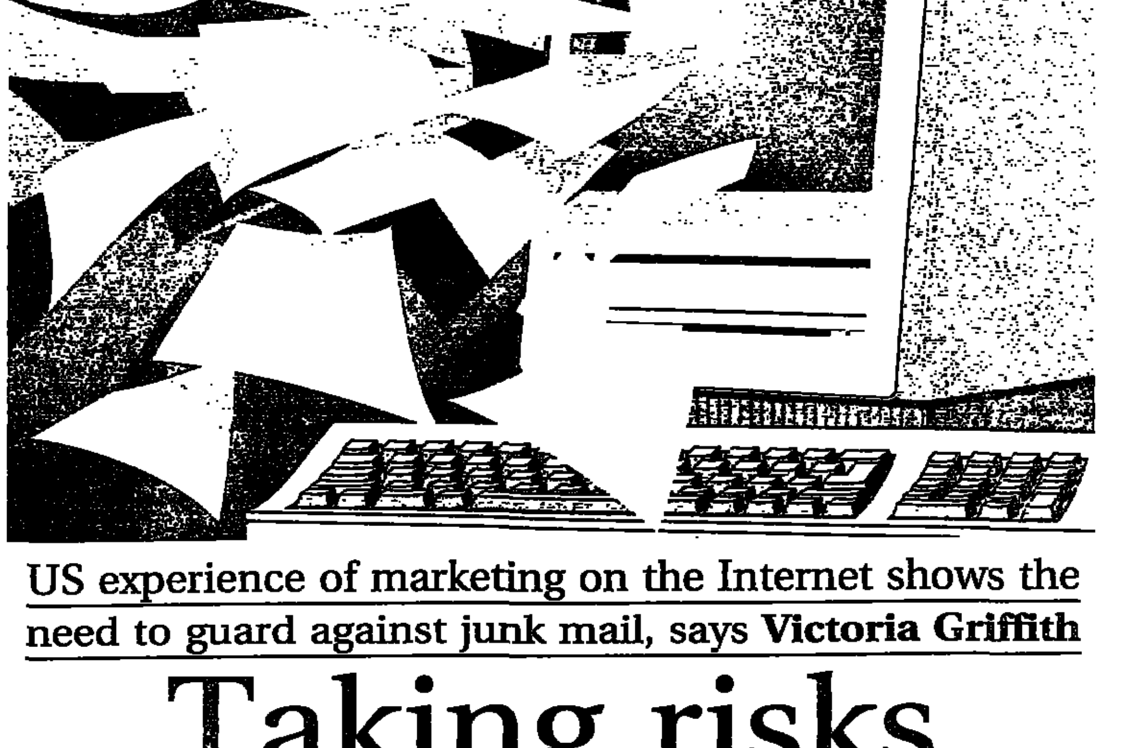
Mr Prodgers now aims to widen the net. Chesterton has recently re-acquired its former agency arm, Chestertons Residential and wants to back up its property management skills with FM systems to pitch for other big groups. He points out that many international groups such as banks provide staff housing. And some are suffering from those which have had to be repossessed under cheap loans provided by the firm. One London institution with around 200 properties has already been targeted.

UK market value*



*calculated by estate mileage multiplied by cost per square metre at 1995 prices

Shell housing in Aberdeen. It has to be of the right type and quality – and well-managed Location Photography



US experience of marketing on the Internet shows the need to guard against junk mail, says **Victoria Griffith**

Taking risks with d-mail

In the film *LA Story*, Steve Martin places a waste paper basket directly under his letter box to catch all the junk mail he expects for the day – apparently the only correspondence he receives.

Cyberspace browsers in the US fear their e-mail boxes may soon suffer the same fate, stuffed solely with unwanted messages ready for the virtual rubbish bin.

The extent to which companies can control themselves in this area, *marketers say, may determine the* future success of commercial e-mail – dubbed "d-mail" after direct mail.

While US marketers are excited about d-mail's potential, they also dread its overuse. "I live in fear that there will be one event that triggers a backlash, with the public calling for restrictions on commercial e-mail," says Hunter Madson, head of JWT, a subsidiary of J Walter Thompson specialising in the Internet. "People have a low patience level in this area. I myself get a lot of e-mail I don't want, and find myself sending back messages to companies asking 'How did you get my name?'"

Despite some continuing discomfort, both the use of and tolerance for d-mail seem to be growing. Flower services in the US use the *Internet's postal* service to remind customers of important holidays and special personal dates. The discount stockbroker Quick & Reilly notifies clients of new services through e-mail. Consumers can even receive coupons in their cyberspace boxes.

Commercial e-mail has come a long way since the early days of the Internet, when doing business in cyberspace was considered an outrage.

Just two years ago, surfers were scandalised when a lawyer e-mailed a pitch for his services to the members of a "chat room" on-line discussion group. Chat room participants were so offended that they "flamed" the intruder, bombarding him with hostile e-mail responses. "Things are changing so rapidly that that *incident now looks like a quaint* artefact of the Internet's early years," says George Wiedemann, chief executive officer of Grey Direct in the US, a division of Grey Advertising.

Despite the growing use of d-mail, there have been few complaints. Marketers say that is because recipients usually ask to be put on the company's e-mail list. A growing number of Web sites request viewers' cyberspace addresses, which they use in a selective way to keep in contact with customers.

Quick & Reilly asks if the client would like to receive announcements about new products, for instance. Florist 1-800-Flowers asks if Web browsers would like to be reminded through d-mail of important dates such as their mother's birthday. If conducted well, companies say these campaigns can yield enormously successful results. 1-800-Flowers says it has sent out 300,000 reminders to clients over the last year; participants in the programme buy, on average, three times more than other customers, *and spend about $11 (£7.30) more on* each transaction. "E-mail has turned into a powerful tool for us,"

Despite some discomfort, both the use of and tolerance of d-mail seem to be growing

says Donna Iucolano, manager of interactive services for 1-800-Flowers. "We not only remind customers of holidays; we also e-mail confirmation that orders have been sent. We plan to use this more in the future."

Because d-mail is a relatively new phenomenon, advertisers say companies should religiously follow a set of rules to avoid irritating consumers.

Grey Advertising circulates five "Principles for Marketing E-Mail". The recommendations include, for instance, the "opt-out" option, which allows consumers to request *their removal from the company's* mailing list. Other requirements include no on-line solicitations in chat rooms that expressly forbid commerce, and allowing Internet users to request that their e-mail address not be sold to another company.

Yet the days of prudence may be limited. Internet marketing companies such as Firefly and Riddler are building up databases to facilitate large-scale use of d-mail. Riddler, for instance, invites browsers to volunteer information about themselves in exchange for sweepstake entries and other rewards. The more information offered, the greater the potential prize.

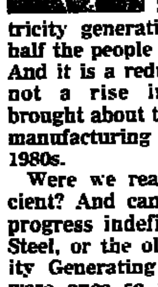
Other groups sell e-mail directories with thousands of entries. The databases are still small, but advertisers predict they could soon be a powerful force in cyberspace marketing. "Pretty soon. I'll be able to access databases that allow me to d-mail a very targeted demographic set," says Steven Carbone, president in the US of Grey Direct E.marketing, an arm of Grey Advertising. "*If I want to reach just 29-year-old* hockey players, I can buy a list with those people's e-mail addresses."

While the ability to direct e-mail campaigns to such a narrow group may increase effectiveness, it also leaves marketers open to criticism of invasion of privacy. With the Internet becoming increasingly commercial, it is not surprising that companies are latching on to e-mail as an exciting marketing tool.

Yet the private sector needs to proceed with caution, marketers say. D-mail will define itself over the next few years. If companies step lightly, it could turn into a sophisticated way of targeting likely clients. If it is misused, we may all soon be holding out our virtual waste bins at the cyberspace letter box.

JOHN KAY

A euphemism that is going out of fashion



How is it that over the last decade so many companies have found it possible to slash their workforces? We have learnt that we can run British Steel, or the electricity generation industry, with half the people we once employed. And it is a reduction in numbers, not a rise in output, which brought about the dramatic rise in manufacturing productivity in the 1980s.

Were we really once so inefficient? And can we continue this progress indefinitely? In British Steel, or the old Central Electricity Generating Board, we really were once so inefficient. But in most business sectors, the economics of downsizing is more complex.

Once upon a time, most industrial and commercial processes were organised around fixed structures, routines and jobs. There needed to be a man at every stage on the production line. There had to be an assistant behind every counter in the store. Each newspaper had a fixed complement of staff, and so did most bureaucracies. Even those processes which were once organised like that now rarely are. Most activities in modern economies are performed by teams of flexible and indeterminate size. How many journalists do you need to write a newspaper? What size of staff is required in a superstore? Much of what happens in a water company, or a modern production line, happens automatically without explicit human intervention: how many people do you need to supervise the process?

None of these questions has any clear answer. You can write a downmarket newspaper with very few journalists: but if you want stories that are properly researched and well written you will need rather more people to write it. You can let the supermarket customers pull the groceries out of cardboard boxes themselves, or you can have staff at the checkout to help them pack their bags. And you can cut the number of water company employees to very low levels if you accept that there will be fewer people around to notice, or to help, when things go wrong.

When you visualise activities in this way, you can also see why it is not too difficult for almost any business, faced with an edict from its board, its regulator, or the firm that has just acquired it, to make an arbitrary cut in its labour costs.

The ability to make such a cut might demonstrate that there is great scope for increased efficiency. Or it might reflect a different judgment about the size of team you need to produce a quality newspaper. Or another opinion about how tolerant shoppers will be if the shelves are less rapidly stocked and the checkout queues are longer. Or an acceptance of a higher level of risk in the water supply business.

All these things – how many journalists you need, what quality

Most activities in modern economies are performed by teams of flexible and indeterminate size

of service your supermarket customers are willing to pay for, how much risk it is prudent to take – are matters of fine judgment. Only over time, and then not at all clearly, will you see whether a smaller staff can maintain journalistic standards, your customers will accept the longer queues, or whether you have assumed more risk than was wise. It is easy in that context for a macho manager to demonstrate that substantial savings are possible. He might be right. But his ability to make the savings doesn't actually prove that he is right.

There is another factor which makes downsizing look attractive. If you cut your labour workforce by 10 or 20 per cent, you will try to focus your cuts on the weakest 10 or 20 per cent among them. Thus the operation improves the average quality of your staff. This benefit won't last indefinitely, of course – you will make as many mistakes about recruitment and promotion in future as you did in the past.

And it is a benefit which is won quite expensively. It costs a lot – and not just in cash – to get rid of ineffective but long-serving employees in a humane way. You increase the feeling of insecurity right across your organisation – sometimes this is positive in its impact, but not often. You impose further costs on the public purse, which takes the strain when the under-employed are turned into the unemployed.

None of this is intended to suggest that companies should not be constantly trying to improve their efficiency. They should. Or that they have a public responsibility to employ people even if there is nothing for them to do. They don't. But when we read on the same day that Barclays has embarked on yet another round of staff reductions, while Tesco has decided to take on additional workers to provide services in its existing stores, we should not be too hasty to conclude that one of these firms has got it right and that the other is wrong. Perhaps both are right – or both wrong. The only relevant test is the long-run judgment of the marketplace, and at the moment that would seem to give Tesco the edge.

Less is better is true only if you can be sure, not just that the quality of output is unchanged, but that all the other dimensions of output are unchanged as well. In modern economies, it is difficult ever to be certain that is so.

Downsizing is an ugly euphemism, and few people would shed tears if the word is going out of fashion. Perhaps we should not shed too many tears if the concepts associated with it go out of fashion as well.

We are all used to the fads and fashions of management writers. Is it really possible that the belief that companies could get more for less out of their workforce will prove to be another fad as well?

As Stephen Roach of Morgan Stanley tells us that slash and burn may no longer be the order of the day, perhaps even downsizing and business process re-engineering will go the way of all the other business buzzwords.

ARTS

Oh! to be in England . . .

Summer arts festivals are burgeoning throughout the land, writes Antony Thorncroft

Suddenly British arts festivals are on the up. For many years they were ignored by the arts establishment – the Arts Council, the Regional Arts Boards and the national critics. Their organisers were regarded as egoists, and their programming was dismissed as popular classics for the middle-aged, middle-classes. In 1980 the Arts Council axed virtually all regular annual funding for arts festivals. Morale among festival directors and their often unpaid staff was low.

This has now changed. Festivals are seen as exciting events. The emphasis in favour of supporting arts buildings, and year-round performing arts companies, such as orchestras, has dwindled and festivals are all the rage.

The Arts Council's "combined arts" department has the wind in its sails, and project funding for arts festivals that present interesting events, be they newly commissioned works of music or drama, imaginative revivals of old classics, or visits by foreign arts companies, is now available. Instead of being seen as tourist driven, middle-class preserves in quaint towns, festivals are recognised as a good way of reaching audiences throughout the country.

The National Lottery is also likely to come to the aid of festivals. The loosening of lottery guidelines to extend funding beyond capital projects, plus heritage secretary Virginia Bottomley's concern to use lottery revenues to finance new commissions, to bring the arts to new audiences and to stimulate youth involvement, all coincide with what most good festivals are about. Festivals should be at the head of the queue when this cash comes on stream.

Some have already benefitted. Edinburgh, 50 years old this year, has received millions from the Scottish Arts Council to convert the old Tollbooth into a much needed festival HQ. Aldeburgh was given £40,000 to finance a study on developing the Maltings, and this week Brighton was successful with its application to investigate how listed buildings in the town, such as the Dome and the Corn Exchange, can be improved as festival venues and year-round arts centres.

The Foundation for Sport and the Arts is also fond of festivals, especially those which reach down into the local community. It recently broke new ground by giving revenue funding, £90,000 over three years, in appreciation of the efforts of the Spitalfields Festival in bridging the interests of its two neighbours, the City and an impoverished part of Hackney, with imaginative arts events.

Although some festivals are rooted in the past there are enough ground-breaking festivals to encourage the others. The biennial London International Festival of Theatre, LIFT, which brings avant-garde overseas performers to London, and Dance Umbrella which has stimulated contemporary dance, have dispelled the myth that festivals live off a diet of Mozart and Ayckbourn.

The Edinburgh Festival is enjoying a golden period and maintains one of the great festival traditions of bringing celebrated foreign companies to the UK. Michael Berkeley has restored the Cheltenham Festival to its former glory, with a mixture of music from Schubert to Stockhausen; and in Salisbury, Helen Marriage has converted a worthy but unexceptional festival into a major event which now attracts Arts Council funding. Brighton, too, has received Arts Council support this year for bringing over the Maly Drama Theatre of St Petersburg.

Brighton has confirmed its position as England's biggest festival with a turnover of £1.3m and over 100 events. It is attractive to sponsors , who contribute a third of its funding, along with a third from public sources, and the rest from box office – a not untypical split of festival revenue. The Maly visit, for example, is part of Barclays' Stage Partners scheme.

Although sponsors have traditionally rallied round festivals, they are more circumspect with their support these days. Local authorities, even though their financial situation is often parlous, usually help in making facilities available, even if they cannot provide as much cash as in the past. Festivals have responded by scheduling more community and populist events. Hackney and Greenwich in London show what can be achieved with strong local authority support, and the City of London Festival has enjoyed a revival because the City offered £750,000 over three years if sponsors could match this sum – as they did.

There is still scope for festivals to co-operate more, sharing visiting arts groups and avoiding clashes in dates and themes. The growing relevance of the British Arts Festivals Association is helping to bring a crowd of entrepreneurs together to discuss problems, solutions, and the international dimension.

The wonderful thing about festivals is that more appear every year, some concentrating on the artistic talent in their small square mile; some on a particular art form or artist; some embracing the world. They are manifestly a good thing.

The Financial Times Guide To Summer Arts Festivals is published in Weekend FT tomorrow.

Theatre

The Herbal Bed

Peter Whelan's new play for the Royal Shakespeare Company, *The Herbal Bed*, is, in its clever historical-fiction way, perfect Stratford-upon-Avon entertainment. It is set in Stratford in 1613, and its central figure is Susanna Hall, daughter of the dying William Shakespeare. Shakespeare himself is an offstage presence, often on his daughter's mind; and the play's language and dramatic incidents sometimes evoke his. Susanna's husband is the Stratford physician John Hall, and the "herbal bed" of the title is a bed of herbs (some of them, like wormwood, very Shakespearian-sounding today) from which he makes his remedies.

The play covers the stress caused to the Halls' marriage by a mutual attraction between Susanna and Rafe Smith, a married local friend who greatly admires John Hall. This core triangle, although it has its historical sources and its Shakespearian echoes, is where *The Herbal Bed* moves in spirit far away from Shakespeare's world. For these three are the classic husband-wife-lover triangle of romance: Vulcan, Venus and Mars, or Mark, Isolde and Tristan. Rafe, with his intense, scrupulous, and self-punishing honour, is, in particular, the agonising Young Werther. No harm in this: *The Herbal Bed* is both romantic and Romantic, and enjoyable in both respects.

Then Whelan's tale becomes just the kind of drama that Verdi – in his least Shakespearian vein – would have loved to set in opera. The Church, at its most puritan and inquisitorial, examines the rumours of adultery and misconduct spread by one Jack Lane about Susanna and Rafe. Vicar-General Goche, who questions the threesome in Worcester Cathedral, is the play's most two-dimensional character. And this scene is the play's least Shakespearian – though also its most suspenseful. Curiously, Whelan is perhaps at his finest in characterising Jack Lane, who, though slanderous and malign, emerges also as weak, charming, and funny.

Good writing shines throughout. Lyricism, humour, metaphors, rhetoric and philosophy are surely mixed in characterful dialogue. The fact that much of Act Two is more concerned with social reputations and public façades diminishes the play's scale, but in Act One its climate is large and various.

Michael Attenborough's direction paces it with complete fluency. As the multi-faceted Susanna, Teresa Banham – sensitive, truthful – never strikes a false note; but there is something mild about her that makes her seem less important than the two men in her life. Joseph Fiennes, as Rafe, is the opposite. He slightly overdoes the mood of tremulous hoarseness in scenes of perplexity, and he could raise the character's moral qualms to a more heroic scale. But, from the first, he emanates a very touching quality of troubled nobility, shadowed and withdrawn, that dignifies the play. David Tennant establishes and develops the rotting charm of Jack Lane very well, and Jay McInnes is first-rate as the Halls' loyal but uncertain servant Hester. Finest is Liam Cunningham as John Hall, a seamless performance that catches Hall's high moral integrity and the domestic anguish that wracks him. *The Herbal Bed*, a new play both enjoyable and interesting, is at its most moving in his hands.

Alastair Macaulay

In RSC repertory at The Other Place, Stratford-upon-Avon.

Troubled lovers in a tale perfect for Stratford: Joseph Fiennes and Teresa Banham as Rafe and Susanna Alastair Muir

Concert/David Murray

Jolas's 'journey'

The Franco-American composer Betsy Jolas turns 70 this year, and Vincent Meyer has honoured her with a commission for the Philharmonia Orchestra. We heard the more than usually quirky result, a 25-minute *Sigrancia Ballade*, conducted on Tuesday by Yan Pascal Tortelier.

Jolas has long been an independent spirit, though the manners of her later music are far more French than American. Her near-exact contemporary Pierre Boulez once looked through a score of hers and remarked "Ah yes, I see what you're doing": characteristically, she resolved at once to cover her tracks better next time.

There are many tracks in the *Sigrancia Ballade* (Sigrancia is the village where Jolas lives), represented by musical "walking" metaphors: ambling or striking out boldly, at different gaits – with a good deal of clambering over rocks too, if I heard aright. Clues to the general import of the piece come in sung phrases extracted from poems (solo baritone David Wilson-Johnson, contending with the large orchestra); it is about personal journeys, even life-journeys, striding off to new scenes or to cul-de-sacs.

Last year I greatly admired Jolas' score for her opera *Schliemann* at Lyon which teemed with variety and piquant ideas. There is less variety in *Sigrancia Ballade*, but it deals often in sharp contrasts. Around the audible tread of the "walks" different sounds build up walls, erupt or simply loom. Yet the real track is excessively well covered: one hearing, at any rate, was too little to discover what the overall sense of the overlapping elements might be – or whether, indeed, an absence of overall sense was part of the point.

Tortelier's energetic direction looked persuasive, but the orchestra never sounded adequately convinced. The rest of the concert proved that Tortelier knows exactly what to do, in refined detail, with Debussy's *La Mer* and Ravel's second *Daphnis* suite, both freshly exciting to hear. He delivered a taut, poised account of the venerable Henri Dutilleux's *Timbres, espace, mouvement* of 1978, and an exemplary accompaniment for the pianist Jean-Philippe Collard's left hand – lusty, faithfully sympathetic – in Ravel's D major concerto.

Jazz/Garry Booth

Irresistible trios

Guitarist John Abercrombie and drummer Peter Erskine, currently taking their respective trios on a UK tour, represent the state of the art in small group modern music. The great jazz trios have traditionally come in two guises: the sweetly swinging piano-led combo as pioneered by Nat Cole, and the organ/guitar/drum vehicle for greasy supper-club soul jazz. Though both formats are employed here, the music played by the ECM-based Americans is a challenging, intellectual form of chamber jazz.

Abercrombie sets his oblique, sometimes distorted deliberations against a surging backbeat provided by Dan Wall's organ basslines and Adam Nussbaum's bomb-dropping drum style. The compositions are slow burning: "Bo Diddy" is an ominous, funky piece overlaid by guitar lines strong on reverb. "Doloroso" starts with Abercrombie making musical shapes against the pitter-patter of drums, the electric guitar eventually joining Wall in a mewling, almost vocal exchange. The intention, according to Abercrombie, is to hold back from describing the melody, to draw the listener in. On Wednesday at the Queen Elizabeth Hall, it proved irresistible.

Peter Erskine's approach, in contrast, is sharp-edged, with an easy to follow narrative. The music – which owes more *to larks ascending than blue* notes descending – gives space for artful improvisation. Though traditional rhythmic responsibilities are dispensed with, it is Erskine's shimmering, unshowy playing, in harness with sonorous upright bass from Palle Danielsson, which guides the group.

But although Erskine is clearly controller and colourist, British pianist John Taylor's improvisation is the focus. His reading of William Walton's "Touch Her Soft Lips And Part", and his own "Ambleside", were ravishing.

Sponsored by the Arts Council.

The Painter of Dishonour

Laurence Boswell was at the forefront of the Gate Theatre's early-1990s agenda of rehabilitating the works of Spanish Golden Age dramatists. His RSC production of Calderón's 1695 play *The Painter of Dishonour* was greeted last year in Stratford with a mixture of plaudits and puzzlement, an attitude which persists on this London transfer.

It is impossible to gauge whether or not Calderón is endorsing the code of honour which binds his noble protagonist, the middle-aged aesthete Don Juan: whether his destruction is due to forces which cannot be questioned, or iniquitous social convention; *whether the play is tragedy or* melodrama.

The work is driven by the differing strategies of courtly obligation and human passion from the beginning, when Don Juan's old friend Don Luis threatens to break off relations with him for the mild slight of lodging elsewhere. The Don compels his young bride Serafina to dance with a masked stranger in the second act because the rules of masquerade forbid refusal – even though Serafina realises, and Don Juan suspects, that the man's intentions are far from honourable. He is, in fact, her former lover, Alvaro, presumed drowned and intent on regaining her even though she consistently refuses him – either *through affection for Don Juan or a* sense of her own honourable obligation.

The uncertainty of tone is carried through from Boswell's and David Johnston's translation. They cannot resist peppering the courtly language with minor gags, yet the character who should be the centre of humour – the Don's manservant, Juanete – is played by Tony Rohr as a grumbling malcontent. Sara Mair-Thomas's Serafina seems in a constant state of panic, quivering like an aspen both physically and vocally; as Alvaro, Charles Daish is such a callow hothead that one cannot but approve Serafina's decision to stick with Don Juan.

However, John Carlisle gives a masterly performance as Don Juan, conveying with equal potency a late awakening to love, the pain of an intelligent man finding himself prey to jealousy, and finally – when Serafina is abducted by Alvaro – the anguish of his compulsion to seek revenge, as he wanders the land in the guise of a poor painter. Carlisle carries on his shoulders the authority of Calderón's writing, illuminating its emotional complexities.

But one pair of shoulders is not enough. Boswell directs the play with a heightened theatricality, including flamenco sequences and the constant presence of the mute, red-masked figure of Death reminding us that it will all end in tears; but we are never sure what to make of the play as a whole. This is most apparent when the main plot strand meets the subplot, in which Alvaro's sister is conducting a clandestine affair with a prince who would rather be pursuing Serafina: both the prince and *Serafina are herded into hiding in the* same closet, in a device which must surely have reeked as strongly of farce to the play's original audience as it does today.

The play's close leaves the audience in a bewildering position. We feel keenly the wrongs of a code of honour whose real victim is neither Serafina nor Alvaro lying dead, but Don Juan, who has just shot them (and is *forgiven* by their respective families), yet we cannot fathom whether we are intended to feel tragically purged, condemnatory, or stoically resigned.

Ian Shuttleworth

At The Pit, Barbican Centre London EC2 (0171 638-8891).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Berliner Symphoniker: with conductor Alun Francis, violinist Saskia Viersen, cellist Larissa Groeneveld and pianist Niek van Oosterum perform Beethoven's Triple Concerto and Symphony No.5; 8.15pm; May 27
OPERA
Het Muziektheater
Tel: 31-20-5518117
● Pelléas et Mélisande: by Debussy. Conducted by Mark Elder and performed by De Nederlandse Opera and the Rotterdams Philharmonisch Orkest. Soloists include Philip Langridge and Willard White; 2.30pm; May 27, 30 (7.30pm)

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Richard Hickox and the Ernst Senff Chor perform works by Vaughan Williams and Haydn. Soloists include alto Pamela Helen Stephen, tenor Ian Bostridge, soprano Yvonne Kenny and baritone John Shirley-Quirk; 8pm; May 26

■ CHICAGO

THEATRE
Steppenwolf Tel: 1-312- 3351888
● The Cryptogram: by David Mamet. Directed by Scott Zigler and performed by Steppenwolf Theatre Company. The cast includes Zaks Lubin, Amy Morton and Marc Vann; 7.30pm; May 29, 30; Jun 1

■ COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Selig, Rainer Trost and Martina Rüping; 7.30pm; May 26

■ COPENHAGEN

EXHIBITION
Den Hirschprungske Samling - The Hirschsprung Collection
Tel: 45-31 42 03 36
● Wilhelm Bendz. A Young Painter of the Danish Golden Age, 1804-1832: exhibition devoted to the work of Golden Age painter Wilhelm Bendz. The display features 135 paintings and drawings, of which a very large proportion have never been shown publicly; to May 27

■ GENEVA

EXHIBITION
Petit Palais Musée d Art Moderne
Tel: 41-22-3461433
● Montmartre Vivant: de Toulouse-Lautrec à Urtillo: exhibition devoted to the Montmartre in Paris, which was at the centre of the international art scene at the turn of the last century. The display features more than 100 paintings, posters, prints, photographs, newspapers and other documents of this period, including works by artists such as Bonnard, Chéret, Dégas, Van Dongen, Forain, Max Jacob, Modigliani, Picasso, Steinlen, Toulouse-Lautrec, Utrillo, Valadon, Vallotton and Vuillard; to May 30

■ HAMBURG

CONCERT
Hamburgische Staatsoper
Tel: 49-40-351721
● Samson et Dalila: by Saint-Saëns. Concert performance by the Hamburg Oper, conducted by Pinchas Steinberg. Soloists include Olga Borodina, Placido Domingo and Jean-Philippe Lafont; 7.30pm; May 27

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Dawn Upshaw, Olaf Bär and Helmut Deutsch: the soprano, baritone and pianist perform works by R. Schumann, Chanler and Barber; 7.30pm; May 29
EXHIBITION
British Museum
Tel: 44-171-6361555
● Vases and Volcanoes: Sir William Hamilton and his collection: exhibition focusing on the 18th-century antiquary, connoisseur and natural historian Sir William Hamilton (1730-1803), perhaps better known today as husband of Nelson's mistress Emma. The display features a selection from over 200 items formerly in Hamilton's possession but now in the British museum, together with loans from public and private collections from all over the world; to Jul 14
POP-MUSIC
Wembley Stadium, Arena and Congress Centre
Tel: 44-181-9001234
● Neil Diamond: performance by the American singer; 8pm; May 25, 26, 27, 30, 31; Jun 1

■ MADRID

EXHIBITION
Museo Nacional del Prado
Tel: 34-1-4202836
● Goya: retrospective exhibition devoted to the Spanish painter Francisco de Goya (1746-1828), in celebration of the 250th anniversary of the artist's birth; to Jun 2

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Aida: by Verdi. Conducted by Roberto Abbado and performed by the Bayerische Staatsoper. Soloists include Gerhard Auer, Elisabetta Fiorillo, Julia Varady and Dennis O'Neill; 7pm; May 29; Jun 1

■ NEW YORK

CONCERT
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Gala Benefit Concert: The Orpheus Chamber Orchestra with conductor Richard Goode perform works by Stravinsky and Mozart; 8pm; May 29
EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Horst: A Retrospective: exhibition honouring the work of the recipient of the 1996 ICP Mastery of Photography Award. Although Horst is principally known for his work as a fashion photographer, the display also looks at other aspects of his work. The exhibition is presented in conjunction with Horst's 90th birthday; to Jun 2

■ PARIS

OPERA
Théâtre de l'Opéra Comique
Tel: 33-1 42 44 45 46
● L'Elisir d'Amore: by Donizetti. Conducted by Antonello Allemandi and performed by the Opéra Comique. Soloists include Youngok Shin, Raul Gimenez and Peter Savidge; 7.30pm; May 27, 29, 31

■ STOCKHOLM

EXHIBITION
Moderna Museet - Museum of Modern Art Tel: 46-8-6664250
● Alexander Calder [1898-1976]: a large, retrospective exhibition devoted to the work of the American sculptor Alexander Calder, inventor of the mobile and its opposite, the stabile; to May 27

■ TOKYO

CONCERT
Kioi Hall Tel: 81-3-52764500
● Gidon Kremer and Naoko Yoshino: the violinist and harpist perform works by J.S. Bach, Takahashi, Prokofiev, Khachaturian and Rochberg; 7pm; May 27

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Sabine Meyer, Thomas Riebl and Bruno Canino: the clarinettist, viola-player and pianist perform works by Mozart, R. Schumann and Brahms; 7.30pm; May 30
● Wiener Symphoniker: with conductor Rafael Frühbeck de Burgos and the Wiener Singakademie perform Beethoven's Symphony No.6 and the world premiere of Gottfried von Einem's Tier-Requiem. Soloists include mezzo-soprano Marjana Lipovsek and baritone Albert Dohmen; 7.30pm; May 30, 31

■ WASHINGTON

EXHIBITION
Arthur M. Sackler Gallery
Tel: 1-202-357-2700
● Traders and Raiders on China's Northern Frontier: exhibition reflecting the flourishing contacts and complex inter-relationships between China and its northern neighbours, the pastoral tribes who inhabited the vast lands north of the Great Wall during the first millenium B.C; to Sep 2

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. *Tel: 31 20 664 6441*

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09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Far beyond a joke

The politics of Europe at Westminster would provide a perfect comedy script – if matters were not so serious

Sometimes you can only shake your head in disbelief. Scepticism about the merits of a single European currency? Fair enough. Irritation with the federalist dreams of Brussels? Understandable. But a beef war? The wrong decision by a handful of vets is taken as cause to send the nation back into the trenches. John Major convenes a war cabinet. Tony Blair scuttles for cover. There is even talk of a beef election. There could hardly be more graphic testimony to the sorry absurdity of the politics of Europe at Westminster. If it were not so serious it would provide a perfect script for an episode of Dad's Army.

It is serious. More than is appreciated in Westminster and Whitehall, the UK's relations with its continental partners have reached a turning point. Across the Channel, they are bewildered and frustrated by Mr Major. They have less faith in Mr Blair than he would like to think. There is only one real ambition in Paris and Bonn for the present intergovernmental conference on the future of the European Union. They want a "flexibility clause" inserted in the Treaty of Rome. Such a clause would build a permanent bypass around British obstructionism.

I do not doubt that Mr Major acted out of genuine frustration when he threw his spanner into the Brussels works earlier this week. The meeting of the aforementioned vets had been seen as a formality. Mr Major believed he had firm assurances from Portugal, Spain and the Netherlands that they would vote with the majority to lift the export ban on gelatin, tallow and bull's semen. The prime minister also thought (wrongly) that Chancellor Helmut Kohl was ready to temper Germany's intransigence.

But to focus on whether others reneged on their promises is to miss two more important points. The first is that BSE is a British problem. It was the British government that allowed its farmers to give cheap, offal-based feed to its beef herds. It was the British government that lamentably failed to curb the disease when it was discovered in the 1980s. And it is Mr Major's government that has blustered and bungled since admitting that there may be a link between BSE and the deadly human condition CJD.

Dozens of countries have banned British beef. Even Britain's last significant colony, Hong Kong, has lost faith. But we have heard nothing of irate rebukes for Mr Major's friend and chosen heir, Chris Patten, who happens to govern Hong Kong.

The second point is a subtler one. Last summer Malcolm Rifkind, the foreign secretary, established a new doctrine to guide relations with Europe. Henceforth, Britain would differentiate between interest and influence. It would no longer offer compromises in the pursuit of the latter, rather vague, notion. Every decision would be weighed against a narrow definition of national self-interest.

This put an end to payments into Europe's Bank of Goodwill. But Mr Major's account had long since been overdrawn. So his partners, understandably, are unwilling to extend new credits. As one, appalled, senior Whitehall official remarked to me this week, Europe works on favours. The prime minister has had none to call in.

> Almost any deal that Europe could offer, even in its most generous of moods, will not meet the demands of those Mr Major now chooses as his allies

There are, of course, more specific, contradictions in the British position. It has declared that Europe must act as a community of nation-states. The Brussels Commission must be cut down to size. And yet, in the BSE affair, the Commission is the hero of the piece. It wants the ban on beef products lifted. It is the assertion by others of their national interests that has so angered Mr Major. One can only assume they read Mr Rifkind's speech.

All this, of course, has been lost in the intoxicating fantasy which has persuaded some Conservatives that Mr Major has at last found the formula to win the general election. Just a few weeks back, the prime minister was deriding his party's Europhobes as inhabitants of cloud-cuckoo-land. Now he is inviting the whole nation to join them in the cumulus.

No doubt Mr Major has been much cheered by the tabloid enthusiasm for his unlikely imitation of John Bull. It must make a welcome change to pick up the Daily Mail or The Sun and see scorn replaced by praise. An election fought under the flag might give the tabloids the excuse they need to return to the Tory fold.

But the prime minister should beware their poisonous embrace. Sure, he can expect an end to the ban on beef by-products when agriculture ministers meet early next month. There must be a reasonable prospect also that, at the Florence summit in late June, the rest of the Union will offer a framework for a gradual dismantling of the wider ban.

But such an outcome is far from certain. And the Eurosceptic ratchet is turning again. Almost any deal that Europe could offer, even in its most generous of moods, will not meet the demands of those Mr Major now chooses as his allies. They do not want a settlement. They want an escalation.

Thus the Europhobes are hoping that the European Court of Justice will soon endorse a decision by its advocate-general to impose a 48-hour working week on Britain, in spite of its opt-out from the social chapter. Then they will insist that the prime minister continues to obstruct indefinitely. Nothing less than a complete rupture will satisfy their narrow nationalism.

It is absurd to think such a strategy could provide the platform for a snap general election victory. It will take more than jingoism to persuade the voters to forgive this government its sins. And a campaign built on the xenophobia that now runs rife on the Tory backbenches could not fail to reopen the Conservative divisions. How long would it be before Michael Portillo and Kenneth Clarke were asked their views on a single currency?

Mr Clarke is already finding it hard to keep this particular company. He gave ground over a referendum on a single currency. As frustrated as any by the beef crisis, he has accepted the latest démarche. But he will demand that Mr Major accepts a reasonable deal. As for further retaliation, the chancellor has told the prime minister that there is a line beyond which he will not step. The Eurosceptics in the cabinet want Mr Major to call his bluff. I am not sure that would be wise.

None of this is to say that Mr Blair has emerged with any credit. His stumbling performance in the House of Commons this week was the worst of his leadership. Paddy Ashdown, the Liberal Democrat leader, has been alone in distinguishing between cheap posturing and a genuine pursuit of British interests. Mr Blair insists his European credentials are impeccable. But warm words are not enough when he is so obviously courting favours from the Tory tabloids. Like Mr Major, he has decided it is safer to follow than to lead. You can hardly blame the rest of Europe for starting work on that bypass.

LETTERS TO THE EDITOR

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UK beef stance is more evidence that it has been a handbrake on European progress

From Mr Friedrich R. Blase.

Sir, Reaction in Brussels and other European capitals to the handling by UK prime minister, John Major, of the beef problem, according to your article "Bewilderment turns to despair" (May 23), is frankly too diplomatic and not far-reaching enough.

Behind the national interest which Mr Major misuses to argue his ludicrous stance on Europe lies an evidently different motivation – winning support for his party and his backbenchers who await the next general election in nail-biting distress. The prime minister's action may thus be logical, yet not legitimate, as it proves to be disastrous for the whole of the UK. Blackmail of the EU is merely another item on the long list that highlights the Tories' scant regard for truly national interests.

The UK's role in Europe has worsened from an outsider who wants to join to an insider who should leave. Britain has been a tireless handbrake on European progress and has finally chosen the reverse gear. While Chancellor Kohl and President Chirac fancy an "opt-out" clause for certain policies, a "throw-out" clause for members who work against the fundamental interests of the community of states should be included in the revision of the Maastricht treaty. Nowhere in the world outside Brussels diplomacy and the politics of necessity does a team member have the right to remain in the team while working against its principal goals.

Europe should give up hope that the current British government, driven by self-centredness, wants to be part of Europe. The only reason it holds its stake in the EU is to slow it down, so Britain will not fall behind. The beef crisis is just the right excuse to pursue this underlying idea. But Europe cannot wait for a stubborn Britain. More important work is waiting in eastern Europe.

This leaves Britain with two alternatives; since it can no longer influence world politics without Europe, it can either fall into complete anonymity or join the US as its 52nd state.

Friedrich R. Blase,
Kapuzingerstrabe 11,
48149 Munster,
Germany

From Dr Paul Brenton.

Sir, With the British government threatening to disrupt EU business over the beef ban, it is perhaps important to put into some perspective the significance of trade in beef to the UK. The immediate cause of this response from the British government is the refusal to lift the ban on semen, tallow and gelatin. In 1994, UK exports of these products to the EU amounted to Ecu19m, about 0.02 per cent of total exports to the EU. With regard to the wider ban, bovine products contributed Ecu752m of UK exports to the EU, or 0.8 per cent of the total.

The British government is also seeking the removal of the ban on exports of beef products to third countries (irrespective of whether such countries have their own ban on imports of British beef). Exports of beef products to the rest of the world are much less important than those to Britain's EU partners, amounting to Ecu89m in 1994, or 0.1 per cent of all exports to third countries. It should also be remembered that a large proportion of such exports were at prices subsidised by the EU budget.

None of this should be taken to minimise the gravity of the difficulties facing the beef industry in the UK and the pressing need for a solution to these problems, but rather to highlight exactly what the British government is prepared to jeopardise important EU business for.

Paul Brenton,
Centre for European Policy Studies,
Place du Congrès 1,
B-1000 Brussels, Belgium

From William W. Wyndham

Sir, Beefing may get Europe listening; but it is not the right message. The British feel that the German stance on the British beef ban is crudely unjust. They are right to feel that the terms of the ban are not dictated by either scientific or health considerations. But the British must face their anger rather than run away from Europe.

The democratic route to European unity combines political with economic paths – the parliament with Emu. Taking the one without the other will not work and should not. Instead, European economic integration via Emu requires simultaneous development of the European parliament, to which the Council of Ministers must be responsible and of which the Commission can only be the civil service.

Germany, not having Britain's pride in its political record and skill, wants Europe (including eastern Europe) ruled with money. Germany's money. It would no longer shrink from ruling Britain out of a Europe not made in Germany's image, if Britain offers no worthy alternative.

Rightwing Tories petrified with fears for British sovereignty have failed to notice that the European Union is fundamentally undemocratic. Neither the Commission as primary initiator of EU policy ("Brussels") nor the proposed Emu central bank ("Frankfurt") set up to enforce that policy is subject to effective scrutiny by any electorate.

The choice for Britain – in or out – is now; and it is not ultimately between pageantry and power, not even between Westminster and Strasbourg. It is for or against the British right to democratic participation in deciding Britain's future – and in a parliament with the power to control both European political and economic affairs.

William W. Wyndham,
Castlegate House,
Lewes, E Sussex, UK

Not an attitude which is likely to impress as a consultant

From Mr Ludwig Kanzler.

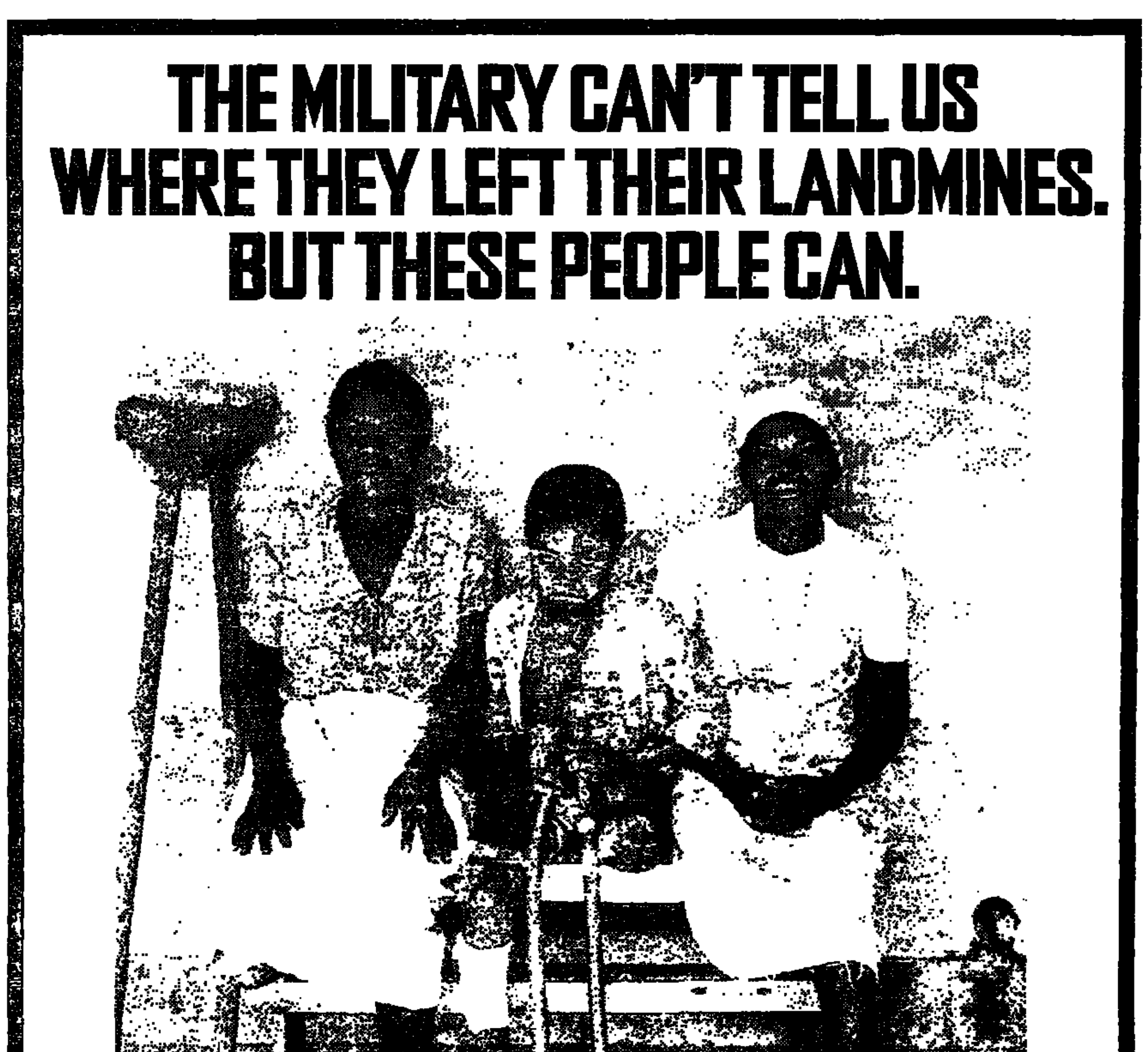
Sir, Let me tell you why Lucy Kellaway ("The physics of consultancy", May 20) was really refused a job in consultancy: how could she have possibly impressed her employer, if she "did not know then what management consultants were"?

Indeed, her admission that her (in my opinion, absolutely unbalanced) view of consulting "might be sour grapes" corresponds with my experience: I have never met someone who had been refused a job in consultancy and who did not then slag off consultants afterwards.

But why did these people apply in the first place? Lucy Kellaway blames it on money. Yet, the bitter truth is that while there are some young consultants who may earn twice the salary of a trainee in industry, they do not get away with the same working hours.

When she was at the drinks party, she should have asked the consultants where they usually spend their weekend, for example.

Ludwig Kanzler,
Christ Church College,
Oxford
OX1 1DP,
UK



Europa · Dominique Moïsi

A partnership of equals

The transatlantic alliance needs a stronger Europe and a less dominant US

The true problem with the future of the transatlantic relationship is that Europe does not exist, and it is not absolutely clear that the US wants it to.

The nature of the post-cold war world makes the transatlantic relationship more necessary than ever in a world characterised by the new uncertainties about Russia, the vulnerabilities of democracies everywhere and China's new clout.

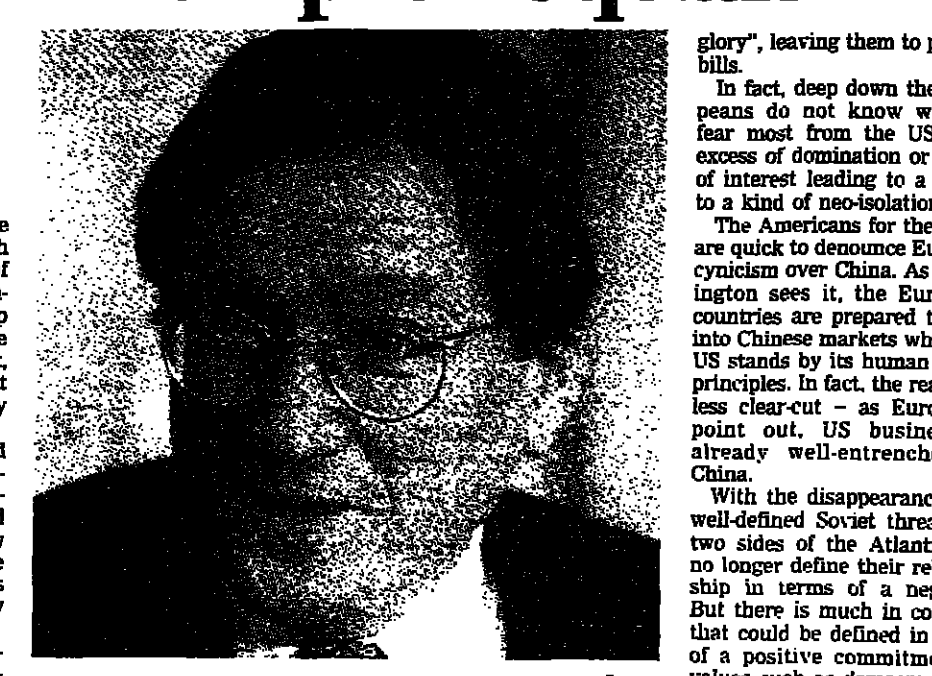
But maintaining that relationship has become increasingly difficult as the democratic allies compete ever more aggressively with each other economically. The issues at stake on both sides of the Atlantic are broader and less simple and do not make for an easy partnership.

The US could be the guarantor of stability in today's multipolar world. But instead it appears as a psychologically self-sufficient – and at times even provincial – actor, a great power endowed in part against its will with global responsibilities and means.

It often gives the impression that it wants to be the global leader – but only in behaviour and style. If the US really wants Europe to act as a diplomatic and strategic power on the world stage, it must begin to treat it as an equal, and not only in words. To do so, Washington needs to move from leadership to partnership with Europe.

A year ago in the journal Foreign Affairs, Richard Holbrooke, the former American assistant secretary of state for European and Canadian affairs, wrote reassuringly of the US as a European power. But his negotiating style during the Dayton negotiations to bring to an end the fighting in Bosnia gave the impression that he believed the US was a power over Europe.

The challenge for Europe is tougher than that facing the US and can be summarised in one simple question: does Europe exist? Unless it does, it



Richard Holbrooke: controversy over his negotiating style Reuter

will be difficult for the US to move from leadership to partnership – it takes two to tango.

In economic and trade terms, Europe is already a single market and a global power, not simply a bystander. During the Uruguay Round of the Gatt negotiations which led to the setting-up of the World Trade Organisation, Mickey Kantor, the then US trade representative, negotiated with Sir Leon Brittan as representative of a united Europe.

By contrast, there is no European identity in foreign and security policy, and few EU countries are willing to fight to bring it into existence.

There are still very different approaches to the nature of power among the three main European countries – France, the UK and Germany. The French and British still see willingness to take military action as the essence of nationhood – its *ultima ratio*. Because of their past, the Germans tend to believe that security issues cannot be answered by military means alone, or even at all.

If Europe is to have a defence identity, the French and the British must transcend their reliance on traditional thinking about the importance of national military power.

The Germans, for their part, will have to transcend their reluctance to recognise the importance of military power in international relations.

As it is, the natural impulse for most Europeans would still be to turn to the US when it comes to matters of life and death. Without common institutions and shared political will, collective diplomacy is a sure guarantee of impotence and inefficiency in international relations.

Unilateral actions by European nations run the risk of being seen as antagonistic to the European project or contradictory. The reaction to the recent Middle East initiative of Mr Hervé de Charette, France's foreign minister, illustrates the problem.

The French diplomatic motto could be described in Cartesian terms: "I intervene, therefore I am." But France's European partners regard this instinct with a mixture of bewilderment and irritation – as does the US.

The two sides of the Atlantic seem to indulge in incompatible dreams. The US wants to be number one, while minimising the cost to the lives of its soldiers or to its economy. Europeans want to keep the US as the ultimate insurance policy as they evolve towards a common identity, all the while maintaining as much as possible the attributes, symbols and reality of national sovereignty.

Bosnia provides the perfect example of how these contradictions manifest themselves. The Europeans accuse the Americans of "stealing the glory", leaving them to pay the bills.

In fact, deep down the Europeans do not know what to fear most from the US – an excess of domination or a lack of interest leading to a return to a kind of neo-isolationism.

The Americans for their part are quick to denounce Europe's cynicism over China. As Washington sees it, the European countries are prepared to step into Chinese markets while the US stands by its human rights principles. In fact, the reality is less clear-cut – as Europeans point out, US business is already well-entrenched in China.

With the disappearance of a well-defined Soviet threat, the two sides of the Atlantic can no longer define their relationship in terms of a negative. But there is much in common that could be defined in terms of a positive commitment to values such as democracy and the market economy. However shared values are inevitably less visible than an external threat, and common policies thus need clearly to reflect common interests.

The Europeanisation of Nato should be a common objective if the US and Europe want to create a more balanced relationship which would be more stable in the long run.

The new realism of France towards the alliance is a very positive sign. But the French conviction that more Nato today means more Europe tomorrow and the willingness of France to be an active partner in the re-creation of Nato may not be enough.

A healthy and stable transatlantic relationship will ultimately presuppose different mental attitudes on both sides of the Atlantic.

Europeans must be convinced that creating a European identity is essential in facing the challenges of today such as nuclear proliferation and mass migration, and to prevent the return of the explosive nationalism that led to war in the past.

The Americans have to come to terms with the fact they can be equal partners in a joint democratic venture, and not simply chief shareholders.

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Labour rights and trade

A study by the Organisation for Economic Co-operation and Development of workers' rights and international trade, published this week, is a welcome attempt to clarify a debate so far characterised more by rhetoric than by rational analysis. The study is unlikely to be the last word on the matter, not least because its main finding is that hard evidence of any kind is in short supply. *But it challenges those who want labour standards placed on the world trade agenda to make a better case than they have done to date.*

The leading proponents, the US and the European Union, argue that the *World Trade Organisation* must respond to public concern on the issue if trade liberalisation is to continue to command support. This is disingenuous. That protectionist pressures are growing in much of the industrialised world is undeniable. But the reason is that workers there are worried about their own jobs - or lack of them - not about perceived human rights abuses elsewhere.

Not surprisingly, poorer countries claim the west's real aim is to drive up their costs or seek a pretext to restrict their exports. The OECD offers some comfort on the first of these concerns. It finds no evidence that respect for human rights has penalised economic growth or export competitiveness. If anything, experience suggests the opposite.

However, that does not mean that labour standards have a place in the WTO. The WTO is based on rules, which, to be effective, need to be precise and unambiguous. Though a broad international consensus exists on the principles of "core" standards, national interpretations vary widely. That is one reason why none of the International Labour Organisation's conventions on workers' rights has been ratified by all its members. In such circumstances, devising objective measures of countries' respect for such standards looks near-impossible, particularly when there is little reliable information on how they are being applied.

The strongest objection to involving the WTO in enforcing labour standards is that it is quite unsuited to the task. The organisation exists to remove trade barriers, not to promote social - or any other - policy goals, however desirable. *Confusing these roles* would distract attention from liberalisation and risk providing a pretext for legitimising protectionist measures.

The industrialised powers which want to give the WTO a "social" dimension need to demonstrate clearly why that would promote, not restrict, global free trade. They have yet to do so. But governments of developing countries also need to show that they are not using that failure as an alibi for delaying essential improvements in basic human rights and labour standards.

Judges at large

England's judges used to be a shadowy and discreet lot. And when the odd one, like Lord Denning, did emerge from beneath the wig, it was rarely to take on the government. No longer. Within the space of three days the outgoing Lord Chief Justice has condemned the home secretary for a policy proposal, while his likely successor has issued a public warning that if parliament does not change the law in another controversial area he and his friends on the bench will do so anyway. "If, for whatever reason, legislation is not forthcoming ... I do not think the courts will be found wanting," declared Sir Thomas Bingham of his belief in the need for a right of privacy.

This is an extraordinary statement. It is a truism that judges do not simply interpret the law: they also create it. They routinely change accepted interpretations of old statutes, and refine the common law to accord with modern conditions. In countries whose parliaments have enacted bills of rights, they also play a critical role in interpreting those rights.

What Sir Thomas is proposing, by contrast, is that the judges should change the law in defiance of parliament, without a bill of rights inviting them to do so. For it is not as if Parliament has overlooked the need for a right to privacy. On the contrary, England's politicians have debated the matter *ad nauseam* in recent years, and for good or ill have deliberately refrained from enacting one. If Sir Thomas disagrees, he has a right to say so, but not to use his judicial office to do what MPs have decided not to do.

This week's judicial activism is symptomatic of wider forces affecting the judiciary and its relationship with the politicians. In the first place, it reflects the extent to which the legal elite has become part of England's liberal establishment.

In condemning the home secretary's plans for stiff minimum sentences, Lord Taylor, the outgoing Lord Chief Justice, recites standard liberal critiques of the futility of longer prison terms. These are hotly disputed. So is the case for a British bill of rights, a cause which Sir Thomas Bingham and many other senior judges now openly advocate.

The second force at work is the courts of Europe. Britain's higher courts now routinely defer to the European Court of Justice in their interpretation of European law, and are even setting aside British statutes in response to the ECJ. Separately, the European Court of Human Rights has become a *de facto* appeal tribunal for alleged infringements of liberties, because the UK is in the anomalous position of having agreed to its jurisdiction while refusing to enshrine in British law the rights it is charged with protecting.

It may be only a matter of time before the European Convention on Human Rights is incorporated into British law. In that event, Sir Thomas and his colleagues will have a bill of rights to interpret. But not before.

A German bind

No one familiar with the cut and thrust of German policy bargaining will have been particularly surprised by yesterday's attacks on the *government's economic* plans by both the public sector unions and Social Democrat opposition.

Sooner or later, a deal will have to be reached. Yet Chancellor Helmut Kohl's determination to tackle Germany's economic and fiscal ills in time for European monetary union is giving a master of compromise very little room for give and take.

This is particularly clear in the case of the public sector wage negotiations, which broke down yesterday when the unions rejected outright the government's only very slightly improved offer. With private sector pay settlements now running in the region of 1½ per cent to 2 per cent, union leaders never seriously expected to achieve their formal *demand* for a wage increase of 4.5 per cent. But there remains a large gap between the unions' and the government's concepts of what might be a reasonable offer in the present, depressed economic climate.

Both sides have agreed to take the issue to independent arbitration. But Mr Kohl has good reason to stand firm. So far the unions' sound and fury has failed to make much of an impression either way on the German public. This might change if widespread strike action started causing people real inconvenience. Many voters seem to have decreasing sympathy for public sector employees in secure jobs at a time of rising job insecurity in the private sector.

Economic arguments provide the most powerful argument of all for being tough with the unions. Reining in public sector wage growth is one of the key elements of the DM70bn (£30.43bn) package of public spending cuts which must be approved to keep government finances on course for European monetary union.

The latest estimates suggest that the unexpectedly sharp downturn in the economy this year will lead to an even sharper slump in tax revenues in 1996 and 1997 than previously thought. Lower interest rates and controls on ongoing expenditure imposed on an ad hoc basis by Mr Theo Waigel, the finance minister, may improve the situation somewhat. But however *ambitious* Mr Kohl's package may have appeared back in April when it was announced, it looks increasingly the bare minimum that will be required to improve German competitiveness and keep the budget on the rails.

Clearly the same uncomfortable arithmetic severely limits the government's room for manoeuvre in parliament. Successfully passing the package would take Germany only a few steps towards curing its long-term economic ills. But with nearly 4m unemployed, a failure to pass even these measures would be a sorry step backwards.

Japan's difficult prognosis

The soaring cost of an ageing population means that harsh decisions need to be taken about the healthcare system, says **Emiko Terazono**

In Japan's feudal age of Edo which ended in the mid-19th century, sick and weak old people from poor peasant families were carried on the backs of their sons into the mountains and left to die there. Modern times have proved much kinder to the country's aged population and today they are cared for by the country's health insurance schemes.

But the cost of the healthcare Japanese citizens now enjoy is increasing rapidly as the population ages. At the same time, slower economic growth means the schemes' income from premiums, which is linked to wages, is rising less quickly, forcing many to draw on their reserves.

"The number of insurance plans that are in the red is going up rapidly," says an official at the Ministry of Health and Welfare. "You could say many are virtually bankrupt."

Problems are even being experienced by the larger schemes covering some of Japan's most important companies. Toyota's health association, for example, has an estimated shortfall of Y1bn ($9.3m), making it *one of 1,535 corporate insurance* plans expected to be in deficit this year.

Such workplace-based schemes are at the heart of the country's health insurance system, which was introduced in 1961. They provide *cover for employees and their families*, with premiums paid jointly by the employer and workers.

A government scheme operates for the self-employed and pensioners, who pay instalments to cover part of the cost.

Patients need to meet between 10 and 30 per cent of their medical expenses - the rest is covered by the insurance scheme, which reimburses the doctor or medical organisation. However, as Japan's population gets older, costs are rapidly outstripping income.

Demographic change is putting pressure on the welfare budgets of most developed countries. But the problem is especially acute in Japan where the proportion of people over 65 is rapidly increasing.

In 1970, just 7.1 per cent of people were over 65, compared with 9.8 per cent in the US and 12.9 per cent in the UK. That has now risen to 14.5 per cent, against 12.6 per cent for the US and the UK's 15.5 per cent. By 2020, the Japanese figure will be 25.5 per cent - more than in any other developed country.

Healthcare costs now account for about 7 per cent of gross domestic product, still low in comparison with the average of 8.3 per cent for countries in the Organisation for Economic Co-operation and Development.

However, according to government forecasts, the combination of an ageing population and slower economic growth will take Japan's health bill to 13 per cent of GDP by 2010 and 19 per cent by 2025.

To cope with that growing burden, the health ministry has been looking for ways to cut spending. The prime target has been drugs prescribed by doctors, which account for 30 per cent of the healthcare bill - the highest proportion in the OECD and far higher than the 11 per cent in the US and 16 per cent in the UK.

Japan's doctors are notorious for prescribing numerous pills for a single ailment. The Japanese take twice as many drugs as they need to, says Mr Yoshihiko Yamamoto, industry analyst at brokers Salomon Brothers in Tokyo. "There are also too many drugs prescribed without proven effects," he says.

Until recently, a patient who went to a doctor for a cold would typically have received as many as five drugs. These would include a cough medicine, an anti-allergy drug, an antipyretic to reduce fever, an antibiotic for any ailments that might affect a body weakened by a cold - and a gastric treatment to protect the stomach from the effects of the other drugs.

This overprescription has medical side-effects. In the 1980s, a new bacterium called methicillin-resistant staphylococcus aureus spread through Japanese hospitals, killing some patients. Doctors believed overprescription of antibiotics had caused the bacteria to develop a resistance to treatments.

Some commentators attribute the custom of overprescribing to Japan's reliance on drugs in traditional medicine - in feudal times, a doctor was referred to as a *kusurishi*, or master of the medicines.

But factors in the insurance system suggest a financial explanation. Doctors are reimbursed at the official price set by the government for the drugs they prescribe. As they can buy the drugs at a discount from pharmaceutical companies, there is an obvious incentive to give more medication than the patient requires.

Some attempts have been made to reduce such incentives. In 1992, the health ministry introduced biennial cuts in reimbursement prices with the aim of reducing them to the wholesale levels. This year's cut, imposed last month, was the largest, reducing official drug prices by an average 8.5 per cent.

The ministry has also imposed a limit of eight items for any one illness, with reimbursement cut by 10 per cent if a doctor exceeds that figure. In April, the limit was reduced from 10 items to eight.

It has also proposed a new system of paying doctors for treating elderly patients, who already take a disproportionate share of the health budget - 32 per cent of the Y27,160bn expenditure in 1995. It is estimated that this proportion will increase steadily to about 42 per cent in 2010 and 50 per cent in 2025.

The ministry hopes to reduce this growth by offering doctors a flat-rate fee to cover both medical services and drugs for an illness. The aim is to provide an incentive to reduce prescribing, which takes 47 per cent of medical spending on the elderly. Since the profits from prescribing drugs are rapidly declining, this is likely to be more attractive to many doctors than payments for each service provided.

However, these measures have prompted an outcry from the drug companies, which claim that a squeeze on sales will have a damaging effect on their research and development capabilities.

"We think this is drug-bashing. Our companies have become scapegoats for the system," says an official at the drug manufacturers' association.

Doctors are also angry over the reduction in their income. Their traditional ties with the Liberal Democratic party, the leading member of the ruling coalition, give them some political influence and consequently another cut in the level of reimbursements on this year's scale is unlikely.

Now the medical profession is campaigning for higher contributions from patients to increase healthcare resources.

"The amount the patient pays is very *small* in Japan *and should be* raised. After all, people are willing to pay to play *pachinko* [Japanese pinball], which is a Y70,000bn industry," says Dr Takao Ando, who heads a hospital in Tokyo.

Mr Yamamoto at Salomon *Brothers agrees. Higher contribu*tions would encourage ordinary Japanese to be more conscious of costs when seeking treatment, he says.

The government is aware that capping expenditure is unlikely to be the sole solution to the problem of the deficits that health insurers are facing. A 1995 health and welfare white paper called for an increase in health *insurance premiums and higher* payments by patients.

But the politicians have been reluctant to push for such changes after a public outcry three years ago forced the government to withdraw proposals for a new welfare tax.

Since the economy is still in a fragile state of recovery, business leaders are expected to oppose any increase in insurance premiums. And with a possible general election later this year, the coalition parties are already stalling on health ministry proposals for a new insurance scheme to provide nursing care for the bedridden elderly.

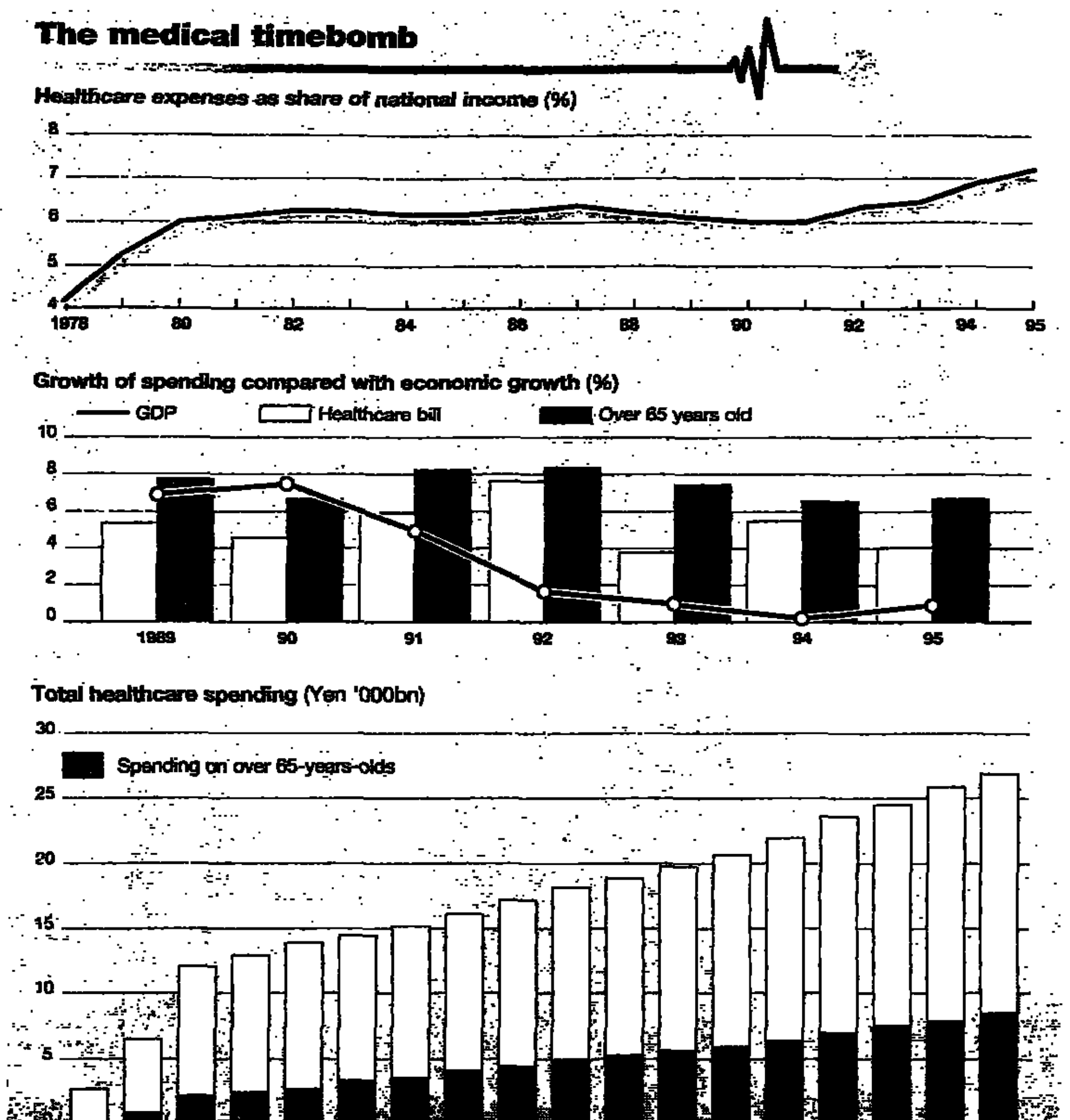
Health policy specialists believe the government and health ministry need to launch a public debate on reforms in order to prepare the way for politically difficult decisions.

"The people need to be told what is going on. There should be more debate on the possible solutions," says Mr Naoki Ikegami, a medical professor specialising in health policy at Keio University, one of Japan's leading privately run universities.

Ministry officials are braced for public opposition to their proposals for higher charges and premiums but believe they are the only way to avert a crisis in the healthcare system.

"There will be a very painful debate and we are preparing ourselves for lots of criticism," says a ministry official.

It is still questionable, however, whether the government *has* the will to survive the storm such a debate will undoubtedly arouse.



· O B S E R V E R ·

Moscow's sporting life

■ It's more than a little irksome when you are running for the presidency of a country to have one of your buddies arrested by the cops. Boris Yeltsin's mate Boris Fyodorov was picked up earlier this week on the outskirts of Moscow and charged with possession of illegal drugs.

Being Moscow, there is of course probably much more to this than meets the eye. Besides being chairman of the National Credit Bank, Fyodorov is also head of *something called the National* Sports Fund which, until last year, was one of the best examples of the Russian penchant for concealing venal motives behind high-flowing rhetoric.

Fyodorov took over running the fund from Shamil Tarpishchev, whose main qualification for the job was his friendship with his tennis pupil - Boris Yeltsin.

The fund's official purpose was to support Russian athletes. It pursued this worthy aim by taking advantage of a specially created tax loophole - a government decree which allowed it to import cigarettes and alcohol duty free. This sweetheart deal made the fund Russia's biggest tobacco and alcohol importer; and billions of dollars of revenue slipped from the treasury's grasp.

Moreover, it appears Yeltsin himself is in trouble with the law. Police in the city of Yekaterinburg say he's liable for a fine of 25,000 roubles (that's about $5) for not cancelling the registration of a hunting gun when he left to go to Moscow in 1985. Come on boys - you can do better than that.

Almost off-side

■ Football administrators around the world wish - almost more than anything - that they could delay Fifa's June 1 vote on whether Japan or South Korea will stage the 2002 World Cup soccer finals.

The reason? What else - money. *Japan and South Korea have been* chucking buckets of the stuff around to help persuade Fifa committee members to back their respective bids.

The gravy train is currently visiting the Caribbean, where this weekend the Caribbean regional soccer competition kicks off. Concacaf, the Caribbean regional body, has three of the 21 votes on the Fifa executive. The word in the Caribbean is that the only two floating votes are Concacaf's.

That's idle speculation, no doubt; but South Korea and Japan are taking no chances. They have spent lavishly - together about $10m so far - on Concacaf's interests.

Where's it all gone? "The Japanese and the South Koreans *have paid for courses in Canada for* 29 regional referees, picking up air fares and hotel expenses; they have paid for computers to aid training; and they have contributed to the costs of the Caribbean regional football competition which begins this weekend," says Jack Warner, Concacaf's head.

What, no bungs?

Frogs' legs stew

■ What's good enough for Jacques Chirac is not, it seems, good enough for his country's top soccer stars.

Whereas the French President was regaled with British beef at virtually every opportunity during *his recent visit to the UK*, France's team for next month's Euro 96 football championship in England is taking its own beef supplies. Jean-Marcel Ferret, the French team's doctor, says there is no question of the team taking "the slightest risk".

Watch out for the salads boys, they pack a mean punch...

Size is everything

■ Asia's accelerating free trade process is rightly attributed to progress between the 18 members of the Asia Pacific economic co-operation forum, otherwise known as Apec. Officials meeting in Cebu, central Philippines, this week are inserting practicality into *a body which sometimes seems to* generate little more than lofty principles.

What better way of demonstrating Apec's worth to the man in the street than by harmonising condom sizes, ask officials?

The condom initiative, which Jesus Motoomul, chairman of the Apec customs committee, unveiled yesterday, will be followed up with similar measures on refrigerators and food labelling.

"When an American buys a large-size rubber condom made in the Philippines he can be assured that it is the same in length and diameter as the large-size condom manufactured in the United States," said Motoomul. That's a *great relief*.

Mammary menace

■ Seymour Schulich was congratulated yesterday on never having his photograph in the annual reports of Franco-Nevada and Euro-Nevada, the two Canadian gold companies he founded and where he is chairman.

He said it was only out-of-control ego that made some executives believe shareholders wanted to see their mugshots, as may normally be found in most annual reports.

Ego, he insisted, was by far the most important of the four big "enemies" every businessman faced. His other three nominations? Greed, alcohol or *(these days) drugs, and secretaries* with big chests.

The Financial Times

50 years ago

Timber Supplies Hit

Stockholm:- M. Gunnar Myrdal, Minister for Trade, in a detailed report to Parliament on Sweden's foreign trade, recalled that Sweden had promised to export 400,000 standards of timber in 12 months to countries in the sterling area if Sweden received the necessary quantities of coal. This had not occurred, however, and Swedish production was now rendered difficult and the export of 400,000 standards of timber was causing trouble. The Swedish Government would still try to keep its promise, but with reservations. In the distribution of timber among sterling countries, Sweden must favour countries which supplied coal or other fuels.

Gold Coast Main

The latest example among companies putting in hand expansion schemes in West Africa is Gold Coast Main Reef. It is proposed to increase the milling rate from 9,000 to 15,000 tons a month, though this rate will not be attained for some eighteen months, allowing for the time taken by machinery deliveries and for the development necessary to supply such a tonnage. There is every reason to expect Treasury permission for the company's *proposed capital issue to* shareholders to finance this expansion.

FINANCIAL TIMES
Friday May 24 1996

Convoy of French fries oils the wheels of South American trade

McCain of Canada proves Mercosur market is beginning to work

By David Pilling in Balcarce, Argentina

Every day, a fleet of trucks snakes out of a factory in Argentina on a 3,500 kilometre journey to deliver 90 tonnes of pre-cooked French fries to São Paulo in Brazil.

The long, winding road is an important supply line for McDonald's, linking the fertile potato-growing area of Argentina with the burgeoning burger joints of Brazil.

It also represents impressive evidence that the Mercosur free trade pact linking Argentina, Brazil, Uruguay and Paraguay is beginning to work.

The Mercosur customs union abolishing tariffs between the four South American nations came into effect last year. It has enabled McCain Foods of Canada to produce vast quantities of French fries in Argentina, even though its main market for the fastest of foods is a seven-day truck journey away in Brazil.

The C$35m ($25.5m) French fries plant, which was officially inaugurated by McCain this week, replaces huge volumes of imports into the region from Canada, saving the company a fortune in tariffs.

After Mercosur created a single market, McCain decided to go where the potatoes were. Field trials showed that growing conditions in Balcarce, Buenos Aires province, to be better than anywhere in Brazil.

"Mercosur is working," says Mr Howard Mann, president and chief executive officer of McCain. "The plant may be in Argentina, but we're thinking regionally."

Of the 110 tonnes of French fries the factory churns out daily, the bulk of which supplies an exclusive contract with McDonald's rapidly growing regional chain of fast food restaurants, 80 per cent is trucked to São Paulo.

Such "exports" within the Mercosur free trade zone are not subject to Brazilian import duties. By contrast, shipments from Canada carry a 14 per cent import tariff.

Mercosur "does function as a relatively open [single] market", says Mr Mick Lauchlan, McCain's plant manager at Balcarce. But there are still bureaucratic customs to negotiate and long stretches of bumpy road to travel before the product reaches São Paulo. The lorries trundle along at a rather painful average of 20km an hour.

Long delays at the border, once legendary, are becoming less frequent. "But you still need a customs broker who has knowledge of every single one of the 300 or 400 pages in the Argentine-Brazilian customs requirements," complains Mr Lauchlan. "If you don't have every original document, then you get held up."

McCain has the customs procedure down to an art form, but its trucks are often stuck for hours behind less experienced drivers who do not have their paperwork in order. Mr Lauchlan has been arguing, so far to no avail, for a separate line for regular exporters.

Its lobbying against a "health certificate", which until last month had to be carried for every truckload of fries passing the frontier, has been more successful. The certificate, which costs $80 per load, was little more than an export tax, says Mr Lauchlan.

Practical problems aside, Mr Mann says the logistical benefits of sourcing Brazilian sales in Argentina are already apparent. McCain is about to spend several million dollars promoting its own brands of fries and other frozen foods. These account for 70 per cent of the company's C$4bn annual turnover.

McCain first tried to sell frozen food in the region in the early 1980s, but political and currency instability forced it to pull out. With a degree of stability now established, the Argentine and Brazilian frozen food markets, though still relatively small, are growing by an annual 9 and 20 per cent respectively.

With such rapid growth in mind, McCain has already drafted plans to raise production at Balcarce by as much as three-fold.

THE LEX COLUMN

Berlusconi in the box

Seldom has a company been prepared for flotation with so many questions overhanging it as Mediaset, Mr Silvio Berlusconi's media empire. Not only is the former Italian prime minister himself on trial for allegedly bribing tax police; arrest warrants were issued last week for seven senior executives of Fininvest, Mediaset's parent company, alleging false accounting. Moreover, Milan prosecutors also believe Mr Berlusconi used a network of offshore companies to retain control of Telepiù, a pay-television company in which he was obliged to cut his stake.

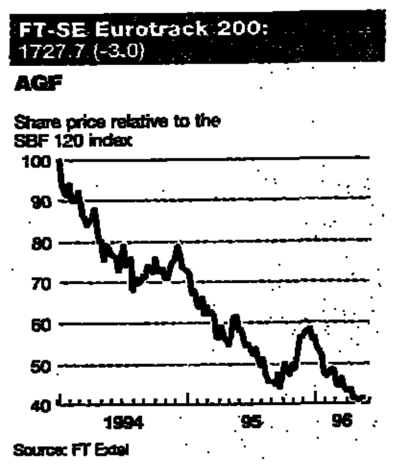
The allegations, of course, have not been proved. Nor is it clear that any findings against Mr Berlusconi or Fininvest executives would affect Mediaset. But, given that Mediaset has only recently been created as an entity separate from Fininvest, the risks for prospective investors are many.

One is that Mediaset could be hit with a hefty tax bill if Fininvest is found guilty of tax evasion. Although Fininvest is planning to indemnify Mediaset against such an eventuality, prospective investors will need reassurance that Fininvest has sufficient funds in case it has to pay up.

Investors will also need to be satisfied that the Fininvest false accounting allegations relate purely to its consolidated accounts and have nothing to do with Mediaset's accounts. Even then, they should be aware of two aspects of Mediaset's accounts. First, the amortisation charge on Mediaset's intangible assets – mainly film and TV rights – fell last year to L750bn ($481.4m) from L823bn, despite the fact that the value of intangible assets in its balance sheet rose from L2,027bn to L2,444bn. If the same proportion of intangible assets had been amortised in 1995 as in 1994, the charge would have been L1,113bn and Mediaset's pre-tax profits would have been L215bn – less than half the L578bn reported.

The second wrinkle worth noting is that Mediaset's after-tax profits in 1995 benefited from an unusually low tax charge of 21 per cent, resulting from a tax break introduced when Mr Berlusconi was prime minister. Since the tax break was a one-off event, Mediaset's tax charge is expected to rise above 40 per cent again this year.

A further question surrounds Telepiù. As part of the flotation, Mediaset is to be given an option to buy Fininvest's remaining 10 per cent stake in the pay-TV channel. Investors will want to be satisfied not only that the strike price is fair, but that there would be no impact on the stake if Mr Berlusconi were found to have retained control of the channel.



A final risk relates to Mediaset's three core TV channels. A constitutional court ruling that no single entity can own more than a quarter of Italian TV may result in Mediaset's being forced to divest one of the channels – although the company is hopeful that this will not happen. Not only would Mediaset lose if it became a forced seller; extra competition might cut its advertising revenues.

While it is unusual to float a company with so many questions overhanging it, this does not necessarily matter so long as the risks are fully disclosed. Then the principle of *caveat emptor* can apply. Nevertheless, it will not be surprising if Mediaset has to be sold at a knock-down price.

AGF

Difficult as it is to believe, France may be about to deliver a successful privatisation. Even more remarkably, the offering is the government's majority holding in AGF, the property-laden insurance giant whose shares have underperformed the French market by nearly 50 per cent in the last two years. As a result, however, investors have good reason to suspend scepticism: the shares now look compellingly cheap.

For a start, the offer price for retail investors – FFr128 a share – represents a 36 per cent discount to net asset value. This does not mean the shares are 36 per cent under-priced: some discount is certainly justified, given the risk of further slippage in the company's book value and its uninspiring returns on capital. But 36 per cent still looks too high – especially since AGF has gone further than most in writing down the effects of its property losses.

Just as important, earnings look set for healthy growth. AGF's commitment to shareholder value may have some way to go; it is, for instance, unclear how willing the company is to shake up the mess which was its international strategy. But promises to shed non-core shareholdings and contract out management of its equity portfolio bode well. So does its new 10 per cent return on equity target: though hardly the most demanding, this is better than nothing.

These prospects are difficult to reconcile with the current share price of FFr142.5 – a lowly 10 times next year's forecast earnings – let alone the retail offer price. Despite their undistinguished history, the shares now look a solid bet.

Private finance initiative

Bovis's decision to stop bidding for road contracts under the UK government's private finance initiative (PFI) is the latest sign that the concept, originally welcomed by the construction industry, is proving awkward to implement.

Construction companies may be reluctant to bid for road projects for several reasons. First, putting together a single bid can cost £500,000. And companies are becoming increasingly irritated that no blueprint for road tendering has been developed yet – this could reduce the upfront costs substantially. On top of this, cuts to the road programme have reduced the number of sizeable contracts worth bidding for anyway.

Furthermore, the risks involved in designing, building, maintaining and operating roads are high. Roads are civil engineering projects, unlike prisons or hospitals which are not surprisingly attracting greater interest.

Roads may not be attractive PFI candidates for the government either. Unlike toll bridges, or even hospitals, there is no easily identifiable revenue stream. Indeed, it is not clear that road projects should qualify as PFI at all – although there is some shift of risk on to the private sector, the road itself is still wholly financed by the taxpayer. The fact is that the government may be unwisely deferring costs, without reducing them.

The government particularly needs to attract companies like Bovis, a project management specialist which, unlike many conventional contractors, has a balance sheet strong enough to support PFI work. Without such participants, PFI may prove a road to nowhere.

Additional Lex comment on Storehouse, Page 24

Budget package will still leave a forecast surplus of NZ$2.8bn

NZ to cut taxes and raise spending

By Terry Hall in Wellington and agencies

New Zealand's National party-led government yesterday pledged to cut taxes and increase welfare spending in a budget package that will still leave the country with a forecast surplus of NZ$2.8bn in the coming year.

Outlining the package to parliament, Mr Bill Birch, finance minister, said New Zealand was the only member of the Organisation for Economic Co-operation and Development able to run budget surpluses, reduce net public debt and increase social spending.

He urged voters not to put hard-won economic gains at risk in the next general election, which will be held in October.

"All of our progress as a nation in the last painful but hugely achieving decade is at stake," said Mr Birch.

He said New Zealand, where growth averaged 1.4 per cent in the 15 years to 1990, would achieve growth of about 4.1 per cent a year between 1993 and 1999 as it reaped the benefit of a decade of open-market reforms.

Spending on welfare for families, health, education and the environment would be increased and income taxes would be cut over the next two years, starting in July.

The government insisted it was maintaining its policy of fiscal responsibility. But opposition leaders accused the National party of trying to win votes through greater spending.

Analysts said the budget was the product of the radical reform of the New Zealand economy since the mid-1980s. Successive governments removed exchange-rate controls and agricultural subsidies and embarked on a long-term programme of tax cuts.

Mr Birch said spending would rise 5.2 per cent to NZ$32.87bn in the fiscal year ending June 1997, from an estimated NZ$31.22bn in the current fiscal year.

The increased spending has reduced the forecast of a NZ$7.8bn surplus in the 1997-98 year to NZ$3.3bn. In the year to June this year, the budget forecast is for a surplus of NZ$3.9bn.

Debt repayment is to remain a priority. The government will begin reducing its domestic debt to bring its total debt to below 30 per cent of GDP over the next year.

Net public debt is projected to fall to NZ$27.38bn, or 29 per cent of GDP, by June 1997, and to NZ$20.44bn, or 19.4 per cent of GDP, by June 1999.

Mr Birch said the tax cuts and increased spending would benefit low and middle income earners.

But critics said the NZ$3bn of tax reductions would be blunted by a sharp rise in mortgage costs for the average family as the Reserve Bank, New Zealand's central bank, tightened monetary policy to ensure inflation remained under control.

The Reserve Bank has considerable control over monetary policy and is committed to keeping the inflation rate to 2 per cent or below.

UK blocks EU convention

Continued from Page 1

would maintain its opposition to a convention on Europol, the planned EU-wide police force to deal with drugs, fraud and illegal immigrants. The issue is due to be discussed at a council of ministers meeting on June 4.

A senior EU official said the British policy was proving a "nuisance" but had not yet created a crisis. "Obviously this could build up. But at the moment we are still working under normal conditions," he said.

But an EU diplomat said there was "little evidence that masses of work will begin to build up. There are simply not enough decisions due to be taken by unanimous vote for that to happen." Mr Menzies Campbell, an opposition MP, said the insolvency convention would have helped British businesses.

Berlusconi to aid investors

Continued from Page 1

upheld against the parent company. The Mediaset board meets today to discuss the minimum price for the flotation.

The Italian stock exchange council has set a non-binding representative value of L56,000 a share for the company – L7,000 a share taking into account a forthcoming share split by Mediaset.

Mr Aldo Livolsi, managing director of Mediaset and Fininvest, said he still believed the company would be sold "at a higher level than L55,000", the price paid by Mediaset's existing minority shareholders.

Italian and foreign banks and fund managers have also bought shares in Mediaset, and British Telecommunications and Banca Nazionale del Lavoro are expected to confirm shortly their purchase of a 2.4 per cent stake.

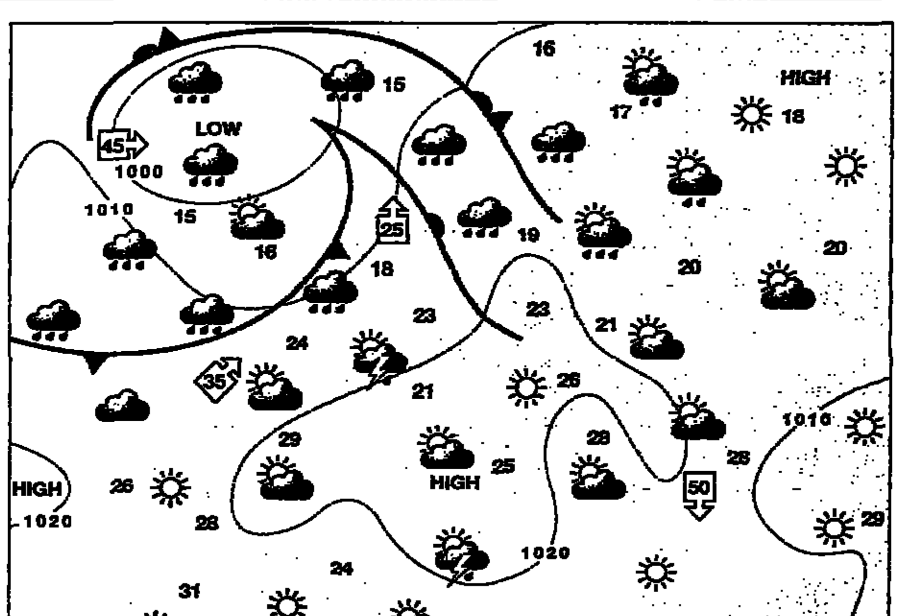
FT WEATHER GUIDE

Europe today

Scotland and Ireland will be mostly cloudy with scattered showers. England and Wales will be cool but mainly dry, although rain is likely in south-east England in the morning. Northern France and the Benelux will be cold and wet, with thunderstorms in eastern France and the Alps. Northern Germany and southern Scandinavia will be wet and cloudy, while southern Europe and the Balkans will remain dry and sunny. Southern Italy and Tunisia will have some cloud and isolated thunderstorms.

Five-day forecast

The British Isles, the Benelux, Germany and northern France will remain unsettled. Eastern Europe will become warmer, but by the weekend it will be cold with thunderstorms. Spain and Portugal will be mainly sunny, but the eastern Mediterranean will have scattered thunderstorms later in the weekend. These will spread into northern Greece and the Balkans on Sunday and Monday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	41
Accra	thund	30
Algiers	fair	22
Amsterdam	shower	18
Athens	sun	28
Atlanta	sun	33
B. Aires	fair	24
B.ham	fair	15
Bangkok	rain	33
Barcelona	sun	22
Beijing	fair	30
Belfast	shower	15
Belgrade	fair	25
Berlin	cloudy	21
Bermuda	fair	23
Bogota	fair	19
Bombay	fair	33
Brussels	thund	22
Budapest	fair	22
C.hagen	rain	15
Cairo	sun	35
Cape Town	sun	19
Caracas	fair	31
Cardiff	fair	15
Casablanca	sun	24
Chicago	cloudy	14
Cologne	fair	24
Dakar	sun	25
Dallas	fair	35
Delhi	fair	37
Dubai	sun	38
Dublin	shower	15
Dubrovnik	fair	25
Edinburgh	shower	15
Faro	sun	25
Frankfurt	fair	26
Geneva	shower	27
Gibraltar	sun	22
Glasgow	shower	14
Hamburg	shower	20
Helsinki	cloudy	13
Hong Kong	fair	29
Honolulu	fair	31
Istanbul	sun	24
Jakarta	cloudy	32
Jersey	rain	17
Karachi	sun	34
Kuwait	sun	39
L. Angeles	fair	21
Las Palmas	sun	25
Lima	cloudy	20
Lisbon	fair	25
London	shower	16
Lux.bourg	fair	23
Lyon	fair	28
Madeira	sun	21
Madrid	sun	29
Majorca	sun	24
Malta	cloudy	22
Manchester	cloudy	15
Manila	fair	33
Melbourne	shower	16
Mexico City	fair	25
Miami	fair	32
Milan	thund	25
Montreal	fair	16
Moscow	fair	18
Munich	fair	26
Nairobi	fair	25
Naples	cloudy	25
Nassau	fair	28
New York	fair	26
Nice	fair	23
Nicosia	sun	34
Oslo	rain	15
Paris	fair	25
Perth	fair	23
Prague	fair	23
Rangoon	rain	34
Reykjavik	cloudy	10
Rio	cloudy	26
Rome	fair	25
S. Frsco	fair	19
Seoul	sun	26
Singapore	shower	32
Stockholm	cloudy	18
Strasbourg	fair	26
Sydney	sun	19
Tangier	sun	25
Tel Aviv	sun	31
Tokyo	fair	19
Toronto	fair	16
Vancouver	fair	19
Venice	fair	23
Vienna	fair	24
Warsaw	fair	18
Washington	fair	29
Wellington	shower	15
Winnipeg	fair	14
Zurich	fair	26

RECRUITMENT

JOBS: Alternatives to downsizing could restore faith in popular capitalism

Packard's good corporate citizen

For several years, it has been the conventional corporate wisdom that slim is beautiful. Companies everywhere looked in the mirror and saw Kate Moss.

Now it appears that downsizing is suddenly out of fashion as stories emerge in the US about how it has proved a business failure for many companies. In spite of these stories, there seems little evidence of the trend being reversed in the UK, while in much of continental Europe job-cutting has only begun.

The approach of some boardrooms reminds me of the behaviour of the generals in the First World War who came to accept that sacrifice was inevitable. Many corporate leaders, indeed, have come to look at sacrifice as a strategy for survival: only if the headcount is reduced can profits be restored.

Eventually the generals were forced to appreciate that human life mattered – if only because politicians such as Lloyd George engineered a change of mind by sacking those they considered most inept. Their basic human values, which in most cases had become buried in pursuit of victory, were resurrected. Does this need to happen once more in business?

The inspiration for this question came not from any military tome but from *The HP Way* by the late David Packard, co-founder of Hewlett-Packard, the computer company. In a chapter headed "Responsibility to Society", Packard recalls the poor conditions of his neighbourhood during the depression years and how the more fortunate families shared what they had with those who had nothing.

Partly from this recollection, Packard and Bill Hewlett set down as an "objective", that of recognising the company's responsibility to be a good corporate citizen. Such a responsibility to society, Packard wrote, was anathema to other US businesses at the time.

Packard wrote of a conversation he had with his business peers at a conference during the late 1940s: "We began talking about whether businesses had responsibilities beyond making a profit for their shareholders. I expressed my view that we did, that we had important responsibilities to our employees, to our customers, to our suppliers, and to the welfare of society at large. I was surprised and disappointed that most of the others disagreed with me. They felt their only responsibility was to generate profits for shareholders."

David Packard thought things had changed today. But, in spite of initiatives such as Business in the Community, the UK charity that promotes corporate community involvement, it remains difficult to find too many paragons of the HP Way even in the 1990s.

But he was speaking, surely, of what has now become known as the stakeholder society, a tenet which has been adopted by the Labour party in the UK. The tragedy would be that this ideal came to be seen somehow as left-wing, as something that Labour believes in, therefore the Conservative party cannot.

There is a view in some quarters that stakeholding is about the workers taking over their companies. It seems illogical, however, that employees should want to risk ruining something in which they have a stake, be it financial, emotional or a combination of both. Neither should they want to run something if they are assured that those in charge are competent in leadership, strategic decision-making and management.

Stakeholding need not necessarily imply partnership in the sense that it requires a vote of workers for every decision. One example of a stakeholder enterprise is the Baxi Partnership, the domestic heating group, based in Bamber Bridge, Lancashire. Baxi is the UK's largest employee-owned manufacturing company, which turns over £87m a year.

Although the ownership of the company was vested with an employee trust in a philanthropic gesture by Philip Baxendale, its former chief executive, it continues to run with a conventional hierarchical management structure. Its employee ethic, or objective, is fairly straightforward: to provide an above-average pay and benefits package for above-average performance. Though not immune to redundancies and restructuring in the face of a fall in profits, these changes were pursued in discussions with company works councils.

The company, in many ways, is run just as any conventional company would be except that it wears its commitment to the community on its sleeve.

But it is also clear the ownership structure of the business is influencing employee and management attitudes. It is difficult for the trade unions, for example, to act in the traditional "us and them" manner because "us and them" are effectively one and the same.

It is difficult, equally, for management to take the same approach. Employees in the company, at whatever level, appear to understand that they are all in the same boat.

Baxi is not unique. Businesses run on similar lines are becoming more common in the US. They seem to engender mutual accountability from management and employees. Perhaps popular capitalism can be achieved after all.

The HP Way by David Packard is published by HarperCollins, £11.99 (in the US: HarperBusiness, $17).

Best to be second

Supposing you have been short-listed with five others for a job. Does it matter where you are in the interviewing order?

Geoff Grout, managing director of Robert Half & Accountemps, a specialist recruitment agency, and an old hand at job interviewing, reckons that the best place to be is second.

"You will generally find that when a recruitment consultancy puts together a shortlist, it will tend to put the person who it thinks is the best candidate second on the list," he says.

The reason for this, he says, is that the first candidate to be interviewed tends to become the benchmark figure against which all the others are judged.

By the time interviewers are getting to the fourth or fifth candidates they are often making up their minds. They have probably been reasonably impressed by candidates two and three and have begun to go through the motions. Any later candidate would need to be particularly outstanding to have a chance.

Grout emphasises to job applicants, particularly those who are starting out or trying to make their way in their careers, the importance of first impressions and of their interpersonal skills. He says: "The best candidate for the job seldom gets the job. The person who always gets the job is the person who presents themselves best at interview. Their performance is crucial."

He also says that the sensible candidate never mentions money during the interview. In fact he steers the conversation away every time that salary is mentioned. There are two reasons for this, says Grout. First, it is not a good idea to appear concerned about money and, second, the time to negotiate your package is when the offer has been secured.

Candidates can capitalise on this first point when asked about money by saying: "Money is not the major factor in my career choice. I am much more concerned with seeking the opportunity to do X and to develop the challenge of Y."

Grout says: "Once they have been offered the job, they can nail the interviewer for everything they can get."

At this stage, the candidate has the whip hand because the interviewer will not want to run the risk of turning him or her down. Grout says that he is surprised, in spite of this, at the small number of candidates who ask for more money. "The majority of the ones that do, in my experience, generally get it, if not straight away, then in a three- or six-monthly review or in a bonus. It could mean the difference of a few thousand pounds and ensure that the successful interviewee does not start the new job at the bottom of the salary scale."

Richard Donkin

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Merrill Lynch TREASURY MANAGER – FRANKFURT

Competitive Remuneration + Banking Benefits

Merrill Lynch retains its position as one of the world's leading and most diversified investment banking institutions. In Europe it has an established network of offices covering all major financial centres with assets of over $50 billion and producing turnover in excess of $600 million. The firm is committed to further expansion of its treasury and capital markets activities and is undergoing a globalisation programme to enable a cohesive approach to investment banking, whilst making full use of its global resources.

As part of this exercise the European Treasury division, which is headquartered in London, seeks to appoint an experienced treasury manager to augment the Frankfurt office.

The key requirement of this challenging role is to provide management with a comprehensive treasury capability.

Specifically your remit will cover:

Daily cash management
Arrangement and confirmation of credit facilities
Intercompany liability management
Liquidity ratio management
Local bank relationship management
Liaison with front office

Suitable applicants will be fluent in both English and German. Ideally you will have a minimum of two years related experience gained within a financial services institution. Knowledge of German banking regulations would be advantageous. The role will suit a proactive and technically versatile individual seeking an autonomous and varied position. Merrill Lynch offers a meritocratic and challenging career structure on a global basis.

Preliminary interviews will be conducted in Frankfurt and London in the week commencing 3rd June. Interested applicants should contact our recruitment advisor, Jonathan Astbury on 00 44 171 353 7533, facsimile 00 44 171 353 7703 or write to him at: ASTBURY MARSDEN search and selection, Hamilton House, 1 Temple Avenue, London, EC4Y OHA, England.

astbury marsden
SEARCH AND SELECTION

COMMERCIAL ACCOUNTING CONTROLLER

BERKSHIRE **c.£40,000 + BONUS + CAR**

The Company

- Food branded products division and market leader.
- UK Manufacturing sites with a National Distribution Centre.
- Turnover in excess of £250m.
- Currently restructuring and integrating recent major acquisition.

The Role

- Reports to Finance Director with strong links to Sales & Marketing Directors.
- Establish and maintain strong systems to interpret key performance indicators of sales, margins and promotions.
- Co-ordinate a team of 25 in the budgeting, forecasting and control of commercial strategies.

The Person

- Graduate calibre qualified accountant with experience in a high transaction volume environment, preferably FMCG. Age indicator, 30-35.
- Drive, commercial acumen, strong inter-personal skills and flexible approach.
- Excellent career prospects with this international FTSE 100 UK Plc.

Please write enclosing full curriculum vitae quoting ref: 190 to :

Nigel Hopkins FCA, London House, 53-54 Haymarket, London SW1Y 4RP
Tel: 0171 839 4572
Fax: 0171 925 2336

NIGEL HOPKINS & ASSOCIATES
FINANCIAL & TREASURY SELECTION

Financial Accounting Manager, Europe

West London ***£35-£40K + benefits***

■ The SABRE Group is an International subsidiary of American Airlines, providing a global computerised reservation system to tour operators and other travel professionals on a world wide basis.

■ The UK company is also the European Head Office and provides accounting services for 19 subsidiaries across Europe, which has a current headcount in excess of 300 employees.

■ Reporting to the European Finance Director, the Financial Accounting Manager will manage a small department and be responsible for the preparation of the monthly financial accounts for each European subsidiary, the monthly consolidation and reporting to the US parent, and all statutory accounting requirements across Europe.

■ The role requires the ability to establish close links with each subsidiary and ensure adherence to local accounting requirements as well as working alongside the European Tax group. Candidates must be qualified accountants, who have a sound understanding of financial accounting requirements in a number of European countries and ideally be familiar with US GAAP reporting. This position is therefore an ideal role for an individual wishing to make the move into commerce from the accountancy profession. Computer literacy is essential and a second European language would be a distinct advantage.

■ The current size of The SABRE Group and its future plans are such as to offer the likelihood of further career progression in the longer term.

■ The benefit package includes a car allowance and American Airlines flight privileges.

■ To be considered, please send your curriculum vitae stating current remuneration, and outlining your suitability for the position to Carrie Andrews at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA730. All responses will be forwarded directly to our client.

ERNST & YOUNG
The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

REGIONAL FINANCIAL CONTROLLER

IT Solutions

Our client is a key provider of IT solutions to customers throughout the Caribbean and is part of a major, well-known international Group.

Reporting to the CEO and an essential member of the management team, your responsibilities will include:

Jamaica

- All aspects of financial control and reporting as well as forecasting, budgeting and planning
- *Ongoing management of cash and company assets in addition to the development of key systems*
- Playing an active role in driving the business forward
- Commercial and financial guidance particularly regarding supplier management and customer contracts

Attractive salary package

Managing staff in three separate locations, and reporting on a dotted line basis for Finance to the USA, you must have strong leadership skills and be self-sufficient. You will be a Qualified Accountant, with circa 5 years' post qualification experience, whose highly developed technical abilities and analytical approach supports real commercial acumen. A strong affinity with computerised systems is vital as are excellent interpersonal, presentation and communication skills.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/3726/FT.

INVESTOR IN PEOPLE

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

Finance Director

London

City-based Merchant Bank

Excellent salary plus bonus and benefits

Our client, an independent UK merchant bank, is looking to recruit a Finance Director for its London activities. These include banking and investment management operations, as well as a range of diverse activities in pensions advisory, trust and company administration, conducted through a variety of different subsidiaries.

Aged in his/her 30's or 40's, the successful candidate will have primary responsibility for accounting control and monitoring of the London activities. Reporting to the Group Finance Director, based in London, the successful candidate will also oversee the group consolidation, the Bank of England reports, liaison with auditors and compilation of tax returns, as well as the preparation and announcement of the year end and interim results.

Candidates will possess an excellent educational background and will have qualified from a major accounting firm. Strong in the professional disciplines, the successful candidate will be extremely commercial, with an eye for detail and an ability to anticipate problems. He/she will enjoy working in a small team, where contribution is quickly recognised.

To apply, please send your CV in confidence to Peter Watts, Austin Knight UK Limited, Knightway House, 20 Soho Square, London W1A 1DS. Fax 0171 439 5744.

Please quote reference number: A1100.

e-mail:pw@austinknight.co.uk
CompuServe:101511,2562

Austin Knight

UNITED KINGDOM • FRANCE • THE NETHERLANDS • USA • CANADA • AUSTRALIA

Lombard — Finance Director

Six figure salary + bonus + benefits Lombard *First for finance* ***Redhill, Surrey***

Lombard North Central is one of the principal subsidiaries of National Westminster Bank PLC and the UK's largest finance house. With customer balances exceeding £11 billion, Lombard generated pre-tax profits of £235 million in 1995. It has a pre-eminent position in each of its chosen markets - motor, business and personal finance - many of which are achieved through strategic and high profile joint ventures with prestigious partners.

THE ROLE

- Board member, responsible for financial strategy, formulating and implementing business development activities focusing on expansion by acquisition and the creation of joint ventures both in the UK and mainland Europe.
- Leading and developing a sizeable finance and treasury function through an established team of direct reports, to support decentralised business units in the UK and Europe and strengthen liaison with the parent company.
- Providing proactive support and overseeing the financial plans of the Group's 20 or so subsidiary companies.

THE QUALIFICATIONS

- Graduate FCA/ACA, aged late 30s/early 40s with significant financial reporting, control and treasury experience from a respected quoted group with European operations, ideally financial services.
- Gifted analyst with strong MIS skills, able to understand the process and flow of the business and thereafter evaluate and deliver imaginative business solutions.
- First-class communicator and leader. Credible at all levels, comfortable in matrix management and effective operating in a dynamic culture of change and growth.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F61400861, 16 Connaught Place, London W2 2ED

Finance Director

FMCG

c.£45,000 + Car + Attractive Package **Aberdeen**

Outstanding opportunity for commercially-astute finance professional to play key strategic role in major subsidiary of expanding blue-chip plc.

THE COMPANY

- Autonomous £34m turnover operating subsidiary within fully-quoted, ambitious plc.
- Strong market position with increasing market share and profitability.
- Innovative, forward looking and well positioned for future growth in a competitive market.

THE POSITION

- Full responsibility for financial management and control. Report to Managing Director.
- Provide commercial and strategic direction. Manage ad hoc projects and drive new product development initiatives.
- Lead and motivate professional team. Spearhead further systems development and manage cultural change.

QUALIFICATIONS

- Bright graduate CA with blue-chip credentials and a minimum of 3 years sound commercial experience.
- Experience gained leading small finance function or supporting role in larger organisation within manufacturing or service sectors.
- Mature, forward-thinking, self-starter with hands-on approach and previous exposure to corporate reorganisation. Strong systems and project management orientation.
- Energetic and ambitious team player with excellent communication and interpersonal skills.

Please send full cv, stating salary, ref EB60501, to NBS, 42 Frederick Street, Edinburgh EH2 1EX

N B SELECTION LTD
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NBS

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Lombard — Head of Group Audit

Career progression opportunity

Surrey c.£50,000 + Car + Bonus + Profit Share

Lombard North Central plc, a member of the NatWest Group, is the UK's largest finance house with clear market leadership in each of its core businesses. Internationally, Lombard is focusing on growth within mainland Europe where it already operates successfully in Germany, France, Holland, Belgium and Cyprus.

Due to the internal promotion of the current incumbent into a line management position, Lombard wishes to appoint an ambitious Head of Group Audit to manage this highly respected service. Key responsibilities will include:

- adding value to the audit methodology in accordance with recognised best practice whilst pursuing business performance improvements;
- defining the group's risk profile and audit frequency programmes;
- controlling and improving reporting procedures and effective follow-up activities;
- leading and developing an experienced team, currently 23 people, and representing their activities at NatWest Group level.

This high profile head of function role is seen as a stepping stone into a more senior management career within the group. Our ideal candidate will demonstrate a clear understanding of progressive audit techniques gained either within the profession or in a financial institution or commercial organisation. Applicants must possess an appropriate accounting qualification, and are likely to be aged 30-40. Mandatory personal qualities include strong team leadership, project management and presentation skills and a high level of business acumen.

The successful candidate will enjoy an attractive financial services benefits package including group profit share and, where appropriate, assistance with relocation.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 530J on both letter and envelope, and including details of current remuneration.

GKRS
SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820
A GKR Group Company

We've always believed in a single European currency.

European management training for graduates

As one of the brightest and best of your year, you deserve to work for an organisation that can offer you the whole of Europe as your training school. Fortunately, ability knows no barriers at GE. We'll ensure you're always in the right place at the right time to take advantage of the most challenging development opportunities: whether it's attending a training seminar or playing a hands-on role in implementing change in our established and newly acquired European businesses.

During your first two years, you'll have the opportunity to explore many aspects of our diverse, global business which encompasses research and development, manufacturing, broadcasting, information services and finance. This may mean a variety of assignments within one area or the challenge of moving from place to place and business to business. Whatever path you follow, you'll find it stimulating, rewarding and, above all, demanding.

Our European management training programme (described on the right) offers excellent career prospects up to the very highest levels of the organisation.

These outstanding opportunities are aimed at the top 10% of European graduates, so competition will be intense. You **must** be fluent in English and, at the very least, hold a first degree (2:1 or better) in a relevant discipline: Masters degrees, MBAs and PhDs are also welcome. While some work experience may be useful, you should not have spent more than two years in full-time employment since leaving university.

Paper qualifications, however, are not enough. To succeed, you'll need to be the kind of person who actively seeks change and improvement at every stage, on a corporate as well as a personal level. You have bright ideas along with the drive and determination to put them into practice. Your enthusiasm and confidence means you can carry others with you. You're stimulated by the challenge of managing more than one project at a time, and can maintain your high standards even in the most pressurised circumstances. Flexible and adaptable, you'll relish the opportunity to work with people from different cultures and in different parts of the world and bring out the best in them.

If you have the intellectual as well as the commercial drive to succeed with one of the largest and most ambitious public companies in the world, please call our recruitment line on **0990 600 640** or **++44 990 600 640** if calling from overseas. Lines are open 24 hours, 7 days a week. Timescales are intentionally tight and you will need to return your completed application form as soon as possible.

Financial Management Programme

Our financial specialists are a critical part of the business leadership team. They apply their skills in finance, accounting, analysis and business on a practical day-to-day basis but are also involved in the issues behind the numbers, supporting major business decisions and planning for the future.

This intensive and academically demanding programme aims to develop well-rounded business managers. You will be tested frequently and high grades are a condition of remaining on the programme. Ultimately, you can expect to embark on a career path which leads to the very highest levels of the organisation.

There is an emphasis on numeracy and analytical thinking but intellectual calibre and interpersonal skills are more important than degree discipline. Suitable first degree subjects include: Economics, Business Finance, Liberal Arts and Maths.

Talent

GE USA

General Electric Company

An Equal Opportunity Employer

*Not connected with the English Company of a similar name

MINISTRY OF DEFENCE

PRINCIPAL FINANCE OFFICER

DEPUTY UNDER SECRETARY OF STATE RESOURCES, PROGRAMMES AND FINANCE

Salary up to c.£100,000
more may be available to an exceptional candidate **Central London**

This is a unique opportunity to undertake a high-profile, challenging and complex role within the Ministry of Defence. As Deputy Under Secretary of State you will be responsible for resource planning and the development and operation of financial systems throughout the MoD and the three armed services. You will play a central role in the analysis of investment and capital expenditure. The post is at the heart of the annual planning and resource allocation process and the management of the MoD's annual budget of £21bn. The appointment is for an initial period of 3 years with the possibility of extension subject to satisfactory performance.

The Position

- Introducing resource accounting and budgeting throughout the MoD.
- Formulating policy for financial management, accountancy, audit and value for money across all areas of expenditure.
- Advising on the most cost-effective Defence programme and the resources needed to implement the Government's defence policy.
- Ensuring that major investment decisions are taken on the basis of rigorous validation, robust costing and affordability.

The Requirements

- Experienced senior level manager with significant experience of managing complex strategic and financial planning processes using sophisticated information systems.
- Able to direct a very large and demanding programme of change.
- Capable of representing the MoD at Parliamentary committees and other public fora.
- Well-developed interpersonal skills. Must be able to work effectively with Ministers and Senior Government Officials - previous experience in this area would be a distinct advantage.

The Ministry of Defence is an equal opportunity employer.

For more details and an application form (to be returned by 13 June 1996), write to: Ken Brotherston, **K/F Associates**, 252 Regent Street, London W1R 6HL, **quoting ref: 5040/A.** Alternatively send by fax on 0171 312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: http://www.kfaeurope.com/kfaeurope/

K/F ASSOCIATES

KORN/FERRY CARRE/ORBAN INTERNATIONAL

Chief Financial Officer

Paris **800 000 FF+**

Our client is a major international media group with activities covering North America, Europe and Asia with impressive plans for future expansion. They now seek to recruit a Chief Financial Officer who will be reporting to the Chairman. Your main responsibilities will be:

- To review and analyse the financial performance of operating companies and the Head Office.
- Designing and implementing policies and procedures in order to optimise and realise long-term strategical and operational planning by operating companies.
- Innovating and upgrading management information systems.
- Assisting in acquisitions.

Probably in your mid-40s, you will have a strong academic background (MBA, CA) and a proven track record in managing financial staff in an international environment of listed companies.

You should be a native English speaker, fluent in French and a third European language would be desirable.

Excellent communication skills, international experience and strong mobility are essential to succeed in this exciting and expanding group.

Interested applicants should write quoting reference ADB13876, enclosing a comprehensive curriculum vitae and salary details, photograph and telephone number to Alexis de Bretteville, Michael Page International, 3 boulevard Bineau, 92300 Levallois Perret, FRANCE or fax on +33 1 4757 3918.

MP

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

Senior Management Accountant

Egypt **c £40,000 Package**

Our client is an international food distributor with a turnover in the region of half a billion pounds. Its consumer-orientated Egyptian subsidiary is currently experiencing excellent growth, and it has recently decided to merge its operations there with those of a joint venture the parent company recently bought out. The resulting business will employ about 120 people and turn over around £25 million.

They now seek a Senior Management Accountant who can contribute to the profitability of the business by designing, developing and implementing effective management information process and providing an ad-hoc accounting service for senior commercial management, to assist proactively with the running of the company. This will include project evaluation, financial analysis and interpretation, design and enhancement of information systems. In addition, the person will be a significant player in budgeting, regular monthly reporting and forecasting. For the right candidate, career prospects within the region or the wider global group are excellent.

The successful candidate will be a recently qualified but mature and resilient graduate accountant seeking to develop a rewarding career in industry and commerce. The high degree of interaction with non-financial personnel means you will need to possess excellent written and verbal communication skills together with a high degree of commercial acumen.

Interested candidates should forward a comprehensive CV, stating a daytime telephone number and current remuneration details and quoting reference 291159 to Hugh Everard, Director at Michael Page International, Page House, 39-41 Parker Street, London WC2B 5LH, or fax + 44 (0) 171 404 6370.

MP

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

HEAD OF FINANCIAL ACCOUNTING

CHALLENGING ROLE FOR CHANGE AGENT WITH MD/FD POTENTIAL

NOTTINGHAM **£65,000 + BONUS + BENEFITS**

- Boots The Chemists is one of the UK's most respected retail companies. Turnover exceeds £3 billion generated through 1,200 stores. Unprecedented growth has confirmed its place as the key provider of community health care and a market leader in the sale of beauty and personal care products, baby consumables and dietary foods. Having doubled profits over the last four years, the challenge now is to continue to grow ahead of the competition and build on its reputation as a world class retailer
- This role will help spearhead the change aimed at ensuring proactive and effective support for fast, high quality business decision making. It is an excellent entry point into the Group, and offers the potential to develop a career in finance or general management with one of the UK's most successful retailers.
- Managing a team of 350 staff, this is a newly created position and has responsibility for the smooth and efficient functioning of the primary accounting services functions. Your remit is to challenge the status quo and develop a "best in class" function, building strong team spirit and encouraging initiative and innovation at all levels throughout the function.
- Probably in your thirties and ideally a Chartered Accountant, you must have strong leadership and commercial skills, and a demonstrable track record in change management and the introduction of best financial practice. Likely backgrounds include Finance Director of a smaller business or a senior role in financial management consultancy.
- Personal qualities will be key to success in the role. Drive and initiative should be combined with strong motivational and interpersonal skills, an enthusiasm for your work and a commitment to continuous improvement and service excellence. Equally important is the ambition to take advantage of the numerous opportunities for career development that exist within The Boots Company plc.

Boots

BOOTS THE CHEMISTS

An equal opportunity employer

Please apply in writing quoting reference 1142 with full career and salary details to
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Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel. 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION

A Whitehead Mann Group PLC company

COMMERCIAL BUSINESS ANALYST

London **c.£35,000 + Bonus**

Our client is an internationally recognised FMCG market leader with a strong portfolio of household-name brands. Part of a Fortune 500 American conglomerate, they have recently re-focused their operations to pave the way for further growth. This has created the need for a Commercial Business Analyst.

Working as a key member of a customer focused team, responsibilities will include:

- Liaison between finance and marketing functions at senior management level
- Analyses of sales by brand and by region focusing particularly on European markets
- Actively participating in sales and marketing negotiations to ensure financial control
- Provision of forecasting and budgetary information and preparation of the three year strategic plan

A polished communicator with strong influencing abilities, you will develop your commercial decision making and leadership skills to their full potential through acting as the interface between marketing and finance functions.

Qualified CIMA or ACCA, with a strong record of achievement and 2-3 years' post qualification experience, your innovative approach will allow you to provide understandable solutions to complex financial problems. You will benefit from opportunities on a global scale and progress rapidly to senior management level.

To discuss this opportunity in total confidence, please contact Lucia Do Rosario on 0171 405 4161. Alternatively, send your CV to her at the address below.

FMS, 5 Bream's Buildings,
Chancery Lane, London EC4A 1DY.
Tel: 0171 405 4161. Fax: 0171 430 1140.
Email: 100621.2024@compuserve.com
We have offices in London,
Birmingham, Manchester and Lewes.

fms

SPECIALIST FINANCE RECRUITMENT

INVESTOR IN PEOPLE

THE PSD GROUP

DIRECTOR FINANCIAL CONTROL

MULTINATIONAL PLC

WEST LONDON — TO £100,000 PACKAGE

Clearly recognised as a leader in its field of marketing services, our client is a customer focused, sales and marketing driven organisation with a worldwide business employing over 800 people. The group is listed on the London and Paris stockmarkets.

The group's aim is to be the market leader in each of the sectors and business areas in which it participates. It has recently embarked upon a programme of improving the quality and structure of the management team and, as a result, a new position has emerged for a high calibre finance professional to join the group finance team.

Reporting direct to the Group Finance Director, this is a clear opportunity to drive the continuous improvement of financial and group reporting and key responsibilities will include:

- the group's published annual and interim reports and financial press releases
- co-ordination of overseas country Finance Directors and Controllers
- group financial information system
- management reports
- internal financial controls
- relationship with external auditors

The successful candidate will be a graduate qualified Chartered Accountant in his/her 30's, with demonstrable exposure to multinational corporations and at least 5 years post qualification experience, preferably within industry. Commercial awareness and a strong knowledge of UK GAAP are essential requirements, a second language would be useful.

To succeed in this fast moving environment, you will need to be able to demonstrate adaptability and flexibility to cope with the changing demands and priorities that the organisation will meet. In addition, you will have first rate communication skills and the ability to work with key personnel around the world.

If you believe you possess both the technical and personal qualities demanded, please write to Giles Daubeney or Simon Moser, enclosing a current curriculum vitae, at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Fax: 0171 915 8714. Internet: simon.moser@robertwalters.com

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

FINANCIAL CONTROLLER

MILTON KEYNES

Universal Flavors, a division of Universal Foods Corporation based in Milwaukee, U.S.A, seeks a highly skilled Financial Controller for its U.K operations which supplies mainly U.K markets with a variety of quality flavours and flavouring ingredients.

The successful candidate will manage and supervise the Accounting, Treasury and Tax functions for U.K operation. Proven abilities are necessary in the development and monitoring of Accounting controls and procedures.

Main duties will include managing the reporting of all financial matters to the company's Management Team and Division staff, identifying critical issues affecting the Company's current and Long Range Plan growth and development of action plans, preparing Capital and Operating budgets and participating in the formulation of Long Range Plan and related strategies, performing financial analysis and special projects as required. Other responsibilities include managing banking and debt arrangements and monitoring foreign exchange exposure.

The successful candidate will be a qualified accountant with 7-10 years experience as a financial professional in a manufacturing environment with a minimum of four years at managerial level.

To apply, please forward a current CV with salary history to

Marjorie Hancock, Universal Flavors Limited,
Bilton Road, Bletchley,
Milton Keynes, MK1 1HP.

La Direction Stratégie et Finance du Groupe ALCATEL ALSTHOM
recherche un(e)

RESPONSABLE DES PROCÉDURES COMPTABLES GROUPE

Au sein du Département Consolidation, le titulaire de ce poste définira et proposera le programme de travail annuel, à partir des travaux des auditeurs internes et externes, et des propositions des responsables comptables des filiales en France et à l'étranger. Dans le cadre des axes principaux définis par la Direction Financière, il procédera en outre à l'optimisation des procédures existantes. Il veillera à l'application de ces procédures dans les activités de consolidation et de reporting.

Diplômé d'une grande école, vous possédez une double expérience en cabinet d'audit et en entreprise. Vous y avez acquis de solides compétences en comptabilité/consolidation. Une expérience complémentaire en contrôle de gestion serait appréciée. Vous connaissez les règles de reporting au sein d'un groupe international.
Pour ce poste comme pour les évolutions auxquelles il prépare, une bonne maîtrise de l'anglais est indispensable, ainsi que des qualités de communication et de pédagogie.

ALCATEL ALSTHOM

Merci d'adresser votre dossier de candidature (lettre, C.V. et photo), sous la référence FT/6091, à Marie-Gabrielle Gontharet

Alcatel Alsthom - Direction des Ressources Humaines
54, rue La Boétie - 75008 Paris - France

THE MARKET LEADER - A DYNAMIC FINANCIAL ARENA

- make it add up to your success

Over £1 billion in turnover, 18,000 employees and more than 280 stores nationwide demonstrates why B&Q leads the field in home improvement retailing across the UK.

Astute financial management keeps us on the straight and narrow and focused on the bottom line, but we're never complacent. As we head towards the millennium, we're more determined than ever to be the best there is - in every department.

FINANCE MANAGER

Package up to £40,000 • Car • Benefits — Southampton

With responsibility for accounting for central costs and Head Office operations, you will be given a clear brief to raise the profile of this role across the business. Liaising closely on a consultancy basis with key internal customers, in a variety of Head Office and distribution departments, you will provide technical advice on major budgetary management and forecasting issues.

Demonstrating a proactive customer focused approach, you will need the communication skills and powers of persuasion to influence opinion and win total support. Challenging the status quo, we will expect you to encourage greater accountability and a more commercial approach at all times.

It's a demanding job that offers great potential. Managing, training and developing your own departmental team, you'll deliver consistent balance sheet controls capable of meeting the ever increasing needs of this dynamic trading environment.

As a qualified accountant, you will need at least 4 years hands-on practical financial management experience within a large corporate environment, part of which will have included supervisory responsibilities. The flexibility to instigate and manage change and the analytical and problem solving instincts to offer clear direction are extremely important.

TAX ACCOUNTANT

Package up to £27,000 • Benefits — Southampton

For a person who knows Tax accounting backwards and is looking for a more dynamic arena in which to practise their skills - opportunities do not come much bigger than this one.

Your brief will be to continually review current tax and VAT practices whilst ensuring the business meets the statutory reporting requirements of both external auditors and regulatory authorities. Highly analytical, you will be encouraged to recommend, implement and communicate across the business, new VAT guidelines and policies and to act as the major point of contact for Customs and Excise queries.

Close contact with other group companies on tax matters and liaison with internal departments; for example, to ensure till and store systems comply with regulatory requirements, will add further challenge to the role.

To succeed, you will either be a qualified accountant or have a track record with Customs and Excise or the Inland Revenue. Detail-orientated, methodical and able to work with minimum supervision, hands-on experience of tax and VAT policies and procedures, is essential.

B&Q

Both of these appointments offer remuneration and benefit packages geared to attract 1st class candidates. They include relocation assistance in appropriate circumstances.

Begin to add more success to your career by forwarding your CV and current salary details to: Sharon Doherty, Personnel Department, B&Q plc, Portswood House, 1 Hampshire Corporate Park, Chandlers Ford, Hampshire SO53 3YX. Please indicate clearly for which position you are applying.

An equal opportunities employer.

Templeton

EUROPEAN FUND ACCOUNTING MANAGER

The Franklin Templeton Group is one of the world's largest independent investment fund groups. As part of our continued expansion in Europe we currently seek a Fund Accounting Manager to lead the team responsible for the accounting, valuation and administration of the many Templeton fund entities in Europe.

Based in our European head office in Edinburgh, and reporting directly to the Financial Controller, the successful applicant will manage and continue to develop the effective administration of all aspects of European fund operations. Principal responsibility will be to ensure the timely and accurate completion of daily valuations, all statutory reports, quarterly reporting to Directors and other internal and external reporting.

To lead a team of 30 staff based in Edinburgh and Luxembourg, first class people management skills will be required. You will have experience managing and motivating a team of professionals working to high technical standards within tight deadlines. Your participative style will involve you with detailed work resolving difficult accounting issues or operational problems. This post will suit a graduate Chartered Accountant with at least 5 years post qualification experience and knowledge of financial services or the securities business. The role will involve some European travel.

The position offers excellent career prospects to the right candidate as the organisation continues to grow and develop in Europe.

Closing date for applications is Friday, 7 June 1996. Please reply in writing enclosing a detailed CV including details of your current salary package to:

Dawn Anderson, Templeton Global Investors Limited, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EH.

Templeton: Part of the $141 billion Franklin Templeton Group.

FINANCE DIRECTOR

Malaysia

A leading Malaysian engineering group, engaged in power, electrical, mechanical and electronics systems contracting and associated with a major UK-based multinational company, is seeking a Finance Director. The group has made outstanding progress in recent years and expanded its business in both scope of activities and market coverage. Joint-ventures are envisaged in other South-East Asian countries in the near future as the group itself progresses towards becoming a South-East Asian multinational.

The Group's expatriate managing and finance directors enjoy a high degree of autonomy and profit responsibility in demanding environments.

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IT Appointments

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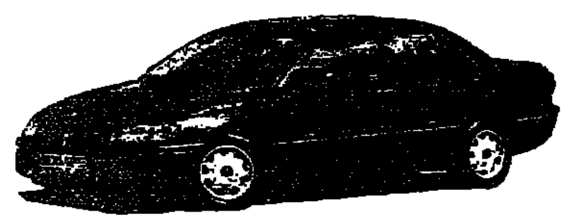

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Ref: RGFT13

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Ref: RGFT14

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday May 24 1996

INSIDE

Giat to shed 2,700 jobs after big loss

Giat Industries, France's state-owned tank and munitions maker, announced a plan to reduce its 12,400 workforce by 2,700 by the end of 1998 as it reported a net loss last year of FFr10bn ($1.94bn), or almost double its FFr5.4bn sales. Page 21

Winterthur boosts its provisions
Winterthur, the Swiss insurer, said it had taken advantage of favourable trading conditions to boost by "several hundred million" Swiss francs its reserves against natural catastrophes and other losses. Page 20

Revised profits forecast hits Bols shares
BolsWessanen, the Dutch food and beverages group, downgraded its forecast for unchanged 1996 profits, warning that first-half profits "from ordinary operations" were likely to fall between 20 and 25 per cent. This would compare with the Fl 87.9m ($51m) recorded for the same period last year. Page 21

Matsushita counts cost of MCA sale
Matsushita, Japan's largest consumer electronics group, reported a decline in annual consolidated profits because of its costly retreat from the US entertainment industry with the sale of its controlling stake in MCA. But the group forecast a sharp recovery this year. Page 22

Talisman Energy to raise C$372m
Canada's Talisman Energy plans to raise C$372m (US$271.5m) in new equity, joining a growing list of Canadian oil and gas producers taking advantage of strong investor interest to raise equity. Page 23

Storehouse records 21% jump for year
Storehouse, the UK retail group, reported a 21 per cent jump in annual pre-tax profits to £109.9m, despite disappointing sales at BHS and Mothercare, its two main chains. The shares dipped 7p to 327p amid continuing concern about sales momentum in the current year. Page 24

JCB advances 42% on buoyant exports
Strong export growth was behind a 42 per cent increase in pre-tax profits last year by JC Bamford Excavators, Britain's biggest maker of construction equipment. The privately owned company had pre-tax profits of £103.4m ($157.2m) in the year to December 31, up from £72.9m last time. Page 26

More gold found in Carlin Trend
Another area with "all the hallmarks of being a world class gold district" has been found in the US's Carlin Trend in Nevada, according to Mr Seymour Schulich, co-founder and chairman of both Franco-Nevada and Euro-Nevada, the Canadian groups. Page 31

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bilfinger	637.00	+	38.00
GEA	460.00	+	25.00
P. Holzmann	515.00	+	24.00
Salamander	195.00	+	9.00
Falls			
Bayer. Hypo	38.20	−	2.00
Rheinelt Berlin	230.00	−	10.00
NEW YORK ($)			
Rises			
Bush Inds	34¼	+	2¾
Dama Corp	99½	+	9¾
Wackenhut	30¾	+	4
Whitehall	41⅞	+	3
Falls			
Nat Power	23	−	2
Nova Corp	35⅛	−	1⅞
LONDON (Pence)			
Rises			
Neotronics	64	+	8
Ockham	98	+	28
UK Land	129	+	11
Falls			
Babcock	101	−	6
Cameotone	29	−	4
T & N	148	−	7
TORONTO (C$)			
Rises			
Arequipa Res	23.45	+	2.35
Cott Corp	12.45	+	1.85
Greenstone	15.10	+	1.35
Metallica	5.40	+	0.85
Falls			
Ballard Power	31.90	−	2.25
Bovar	49.00	−	5.50
PARIS (FFr)			
Rises			
Acanthe Dev	45.00	+	22.70

Dassault	639.00	+	58.00
Falls			
Colisesud	4.80	−	1.00
S.I.P.H.	184.20	−	30.50
Simmonds	225.00	−	32.00
TOKYO (Yen)			
Rises			
Kanematsu	560	+	58
Sogo	645	+	61
Falls			
J M S	1120	−	100
Kokusai El	1930	−	140
Tokyo Electron	3320	−	240
Tokyo Steel	2070	−	150
HONG KONG (HK$)			
Rises			
Asia Financial	3.025	+	0.225
YGM Trading	7.55	+	0.80
Zhenhai Refin	2.425	+	0.175
Falls			
Henderson Ch	20.10	−	0.56
Hk Bldg & Ln	27.50	−	1.50
Jardine Intl	9.90	−	0.25
BANGKOK (Baht)			
Rises			
Goodyear	238.00	+	20.00
Preecha	90.50	+	7.50
Quality-W	60.00	+	9.00
Siam Sport	83.50	+	7.50
Falls			
Kulthorn	45.00	−	5.00
Thoresen Thai	62.00	−	18.00

New York & Toronto prices at 12.30

C&W rules out stake swap

By Alan Cane in London

Talks which could lead to a tripartite joint venture between Cable and Wireless of the UK, Veba of Germany and Stet, the state-owned Italian telecoms group, should be completed within six months, Mr Rod Olsen, C&W acting chief executive said yesterday.

Mr Olsen confirmed the three companies were in the early stages of talks which could lead to an alliance as C&W reported substantially improved turnover and profits, chiefly as a result of a turnround at Mercury Communications and the sale of a stake in a German mobile phone operator. The company made pre-tax profits of £1.3bn ($1.97bn) on turnover of £5.5bn.

Mr Olsen rejected suggestions, however, that Stet, which holds a 52.5 per cent stake in Telecom Italia, would take an equity stake in C&W. It would not, he said, be a repeat of last year's deal in which Veba, a large industrial group which is expanding its telecoms interests, took a 10.5 per cent stake in C&W to seal a strategic alliance to attack the German market. He said that C&W was keen to develop its Italian interests and that Stet was its preferred partner.

He added that C&W had had discussions on an alliance with Mr Silvio Berlusconi's Fininvest group, but that the talks had been abandoned six months ago. Last month British Telecom and its Italian partner Banca Nazionale del Lavoro took a 2.4 per cent stake in Mediaset, the media arm of Fininvest.

The possibility of an alliance involving C&W and Stet emerged 10 days ago, when it became clear that Stet had ambitions to take a 15 per cent stake, the maximum allowed, in the UK company. Yesterday Mr Ulrich Hartmann, Veba chairman, also confirmed the talks in a speech prepared for delivery at the company's annual general meeting. He said the plan was to create a Europe-wide telecoms infrastructure and services joint venture with all three companies as shareholders.

Sources close to Stet said yesterday that the company was convinced the alliance would be concluded successfully. Stet and C&W had the advantage of operating in geographically separated regions. In consequence, the two were taking time to get to know each other. Stet is also believed to be preparing to bid for Videotron, the UK cable company.

Mr Olsen made it clear that after the failure of merger talks with BT earlier this month, the company was pursuing alliances in a number of territories.

Details, Page 24

Ashley Ashwood

On course for a Euro alliance: C&W chairman Dr Brian Smith (left) and acting chief executive Rod Olsen at yesterday's announcement

Toyota profits up despite obstacles

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest car maker, increased its profits significantly in spite of obstacles, including a sharp rise in the yen, international trade friction and a marked shift in Japanese consumer tastes.

Group net profit surged 47 per cent to Y256.9bn ($2.47bn) while pre-tax profits grew 15 per cent to Y420.8bn on sales that were 1 per cent lower at Y10,718.7bn. The comparisons were based on 12-month equivalents for results in the previous fiscal period, which was a nine-month term due to a change of year-end.

The firm rise in Toyota's group profits reflect stringent cost-cutting measures both at the car maker and its group companies, as well as the greater contribution, at the net level, of Daihatsu, the small car maker in which Toyota increased its stake to 33.4 per cent last September.

In the current year, Toyota, which has suffered a fall in its domestic market share, is expected to make a comeback with a broader range of popular recreational vehicles (RVs), further cost-cutting and a more favourable exchange rate.

At a time when car makers have been battling fiercely over replacement demand in the domestic market, Toyota was caught with an inadequate range of RVs last year.

The lack of RVs was damaging since the shift of consumer interest away from traditional passenger cars to RVs was particularly conspicuous last year. As a result, and due to over-zealous cost reduction strategy, many of the company's bread-and-butter cars were shunned by consumers. "They cut costs too much so the cars looked cheap," noted Mr Noriyuki Matsushima, industry analyst at Nikko Research Center in Tokyo.

Toyota's domestic market share suffered a decline from 40.6 per cent in the year to March 1995 to 39.1 per cent last year, Mr Matsushima noted.

Overseas, Toyota was hit by the yen's sharp rise in the first part of the year, which cost it Y20bn at the operating level. R&D costs rose substantially as the company worked to bring new RVs to the market.

The car maker is expected to post a firm rebound in the current year. Parent sales are forecast to rise 5.6 per cent to Y8,400bn, recurring profits 41 per cent to Y480bn and net profits 42 per cent to Y260bn.

Telmex plans cost cuts and diversification

By Daniel Dombey in Mexico City

Mr Jaime Chico Pardo, chief executive of Telmex, Mexico's biggest private group, yesterday spelled out his company's strategy to cope with the imminent liberalisation of the country's long-distance telecoms sector.

In the first press interview since rules to regulate the long-distance market were announced last month, Mr Chico said the company would diversify through acquisitions and alliances into new businesses such as multimedia. Costs would also be cut in preparation for expected tariff reductions. He said capital expenditure would be much lower than in the past five years when the company invested a total $11bn.

However, he warned net debt could increase. Analysts believe competition is likely to affect the group's future cash-flow. Mr Chico said the net debt equity ratio, which was 11 per cent at the end of the quarter, would increase the Latin American norm which is about 16 or 17 per cent.

The company is already struggling with the recession and has been unable to raise rates in line with inflation. These have had to be negotiated with the government. First quarter sales fell 16.5 per cent to 10.5bn pesos. Last year's turnover fell 6 per cent to 42bn pesos ($5.5bn).

Telmex will face competitors involving AT&T and MCI in Mexico's long distance market from August this year. Telmex will be obliged to connect them to its own local network and domestic clients from the beginning of 1997.

"Yes, we are going to lose customers but we are going to reinforce our services for those who stay," said Mr Chico.

He confirmed Telmex was in talks with Televisa, Mexico's largest media group, to buy the remaining stake in Cablevisión, a cable TV business. Last year Telmex bought 49 per cent of the company for $211m. Though Cablevisión has recently performed disappointingly, Mr Chico hoped the company could offer Telmex important synergies in value added services such as image transmission.

"Our intention is to acquire 100 per cent, the principal agreement has been established," said Mr Chico. He added the company also hoped to benefit from the acquisitions being carried out by the telecom unit of Grupo Carso, its holding company.

Telmex recently won its first major international contract, to link up booking agencies in Mexico with the Dallas headquarters of Sabre, AMR's reservations subsidiary. AMR owns American Airlines.

According to Mr Chico's projections, Telmex's capital expenditure should stand at $700m for 1996 and between $500m and $700m in coming years. This excludes acquisitions and the cost of physically interconnecting competitors to its network.

McDonald's ties deal with Disney

By Richard Tomkins in New York

Walt Disney, the entertainment group, and McDonald's, the fast food chain, yesterday announced what may rank as the biggest global marketing alliance yet devised.

The deal gives McDonald's exclusive rights to use characters from Walt Disney films in its promotions for 10 years starting next January. It applies to all 93 countries in which McDonald's operates and will provide the partners with publicity worth several billion dollars.

The deal will benefit Disney as well as McDonald's. The main loser will be Burger King, part of Britain's Grand Metropolitan group, which has had big successes with promotions linked to Disney films such as *Toy Story* and *The Lion King* over the last five years.

Burger King said it was "disappointed" that its relationship with Disney was ending. Disney is believed to have preferred McDonald's as a long-term marketing partner because of its wider presence outside the US.

Mr Alan Hickok, an analyst at Piper Jaffray, said the move would bring significant benefits to McDonald's. "From a competitive standpoint it's very savvy because it removes an opportunity for another fast food chain to capitalise on the strength of Disney's box office hits."

Fast food chains typically use films in their promotions by giving customers toys based on film characters when they buy a meal. Until now, rights to Disney productions have been negotiated on a film-by-film basis.

Entertainment companies also benefit from the marketing alliances because of the publicity they generate. Last week PepsiCo, the US fast food and soft drink company, signed up to a similar marketing alliance with LucasFilm, California-based maker of the Star Wars films.

Terms of the deal were not disclosed.

No longer ripping the shirt from M&S's back

Richard Tomkins on the revival at Brooks Brothers

Old fogies, beware: there have been a few changes at Brooks Brothers, the most conservative of US clothing store chains.

These days, the stores have become dangerously close to exciting. Those button-down Oxford shirts in traditional blue or white have given way to dazzling displays of more up-to-date designs in vibrant pink and purple.

There is another novelty, too. Profits have taken a turn for the better – to the immense relief of Marks and Spencer, Brooks Brothers' British parent, which bought the company for an eye-popping $750m in 1988.

As M&S now concedes, it paid far too much. Ever since, Brooks Brothers has been staggering from one year of poor profitability to the next as M&S sought unsuccessfully to make the best of a bad investment.

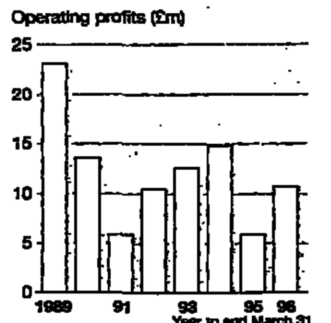
This week, however, M&S declared that Brooks Brothers' operating profit had risen by 81 per cent to £10.7m ($16.26m) in the year to March. Sales, it said, rose 11 per cent to £286.1m.

The latest figure falls far short of what would be necessary to justify the purchase price. Even so, the trend is in the right direction: and it comes at a time when other US retailers are struggling to cope with weak demand and cut-throat competition.

A turning point for Brooks Brothers appears to have been the appointment of Mr Christopher Littmoden, a main board director of M&S, as head of the group's North American operations in 1994. In turn, Mr Littmoden replaced most of Brooks Brothers' senior managers, bringing in Mr Joseph Gromeck from the US retailer AnnTaylor Stores as chief executive.

Brooks Brothers

Operating profits (£m)



Separate management teams were established for Brooks Brothers' 65 retail stores, its 38 factory outlets, the mail order operation, and the 55 stores in Japan. Then, Brooks Brothers started to focus on product development, customer service and product availability.

According to Mr Littmoden, product development had become much too slow. "For example, we had not adjusted to casual Friday. Our shirts were fine as long as you wanted a blue or white Brooks Brothers button-down shirt."

The classic shirts are still there, but they have been shoved to one side. In their place are ranges of different coloured shirts in different fabrics that change from one month to the next. The shirts are displayed with matching ties, prompting customers to buy both together.

Meanwhile, staff have been trained to be less stuffy and more friendly. "Our service had become rather aloof," says Mr Littmoden. "For example, if someone walked in wearing jeans and sneakers, I suspect that on many occasions they would have been ignored. Now we are training our sales staff to at least greet everybody and get eye contact."

Brooks Brothers has also been trying to improve product availability so that customers can get the goods they want in the right size. Three warehouses have been merged into one "so at least we know where everything is", says Mr Littmoden, and the next step will to to introduce M&S's information technology.

Mr Littmoden says although Brooks Brothers has turned the corner, there is still "bags to go for". Women's wear is still not right, he says, and the stores need remodelling to make them look less like men's smoking rooms.

Mr Kurt Barnard, president of Barnard's Retail Marketing Report, a New Jersey based forecasting service, says: "M&S bought a lemon, and they have learned to make lemonade from it. They have finally woken up to the casual craze that has been sweeping across the US.

"At the same time, some of the things they are selling are somewhat ordinary and out of keeping with Brooks Brothers' reputation. It seems they looked at who their customers were and decided to reach out to a broader audience."

Mr Littmoden agrees that the target audience has changed. "The age group was fairly old and a lot of them were dying off. We felt we had to appeal to the younger professional." Obviously, Mr Littmoden acknowledges, this carries the risk of upsetting some of the older customers. "But we are retailers, and we have to go to where the majority of the money is."

COMPANIES AND FINANCE: EUROPE

Winterthur boosts its provisions

By Ralph Atkins, Insurance Correspondent, in Zurich

Winterthur, the Swiss insurer, said yesterday it had taken advantage of favourable trading conditions to boost by "several hundred million" Swiss francs its reserves against natural catastrophes and other losses.

Mr Peter Spälti, chairman, said the increased provisions would help build a base for future strong profits growth. He forecast a "double-digit" increase in Winterthur's consolidated business volume this year – assuming no upsurge in the Swiss franc.

However, the rise in reserves suggests Winterthur may be preparing for possible leaner times ahead as competition triggered by deregulation bites in its main Swiss and German markets. Mr Spälti, said that for 1995, "we have deliberately reported a relatively conservative profit in favour of future profits".

Insurers worldwide have benefited in recent years from the low incidence of catastrophes, but there is concern in the sector that trading conditions could deteriorate rapidly. Mr Spälti said Winterthur had to continue to improve the performance of its insurance operations, preventing over-reliance on investment income. But increased reserves meant "we will be able to absorb any possible effects from serious losses in our insurance and financial operations". Winterthur would not detail the increase in provisions, because of their commercial sensitivity.

Presenting the 1995 annual results, Mr Spälti said that after a series of acquisitions last year – including that of conventional insurance companies sold by Swiss Re, the reinsurance group – this year was likely to be a period of consolidation. "I don't think that there will be any major acquisitions," he said.

Winterthur's local direct sales operation, Swissline, had produced "modest" success; Churchill, its UK telephone-based motor and house insurer, had shown a 10.3 per cent return on invested capital, despite difficult conditions.

Winterthur reported a 20.2 per cent increase in pre-tax non-life profits last year, to SFr580.4m ($466.2m), but a 4.9 per cent fall in pre-tax life profits to SFr235.3m, partly because of increased reserves for insurance against disability. Total after-tax profits were up 15.1 per cent at SFr419.2m.

The insurer said the strong Swiss franc had led to "the occasional sleepless night", but losses had been mitigated by a selective hedging strategy including the use of derivatives. In the first four months of this year, Winterthur benefited from "friendly" stock markets and a depreciation of the Swiss franc.

Mr Erwin Heri, general manager, said that after "systematic growth" in profits since 1993, Winterthur could "fundamentally justify" a registered share price considerably above SFr800, against yesterday's close of SFr733 (up SFr15). He said: "If we can also achieve a double-digit growth rate in earnings per share in 1996, we could fundamentally justify a share price of SFr900 at the end of the year."

Deutsche Bank under fire over options

A series of critical amendments has been added to the agenda for Deutsche Bank annual meeting scheduled for next week, AFX News reports from Frankfurt.

The most recent list of amendments to the agenda includes a rejection of the bank's proposal to offer management stock options.

Mr Leonhard Knoll, a member of the Association for the Promotion of Shareholders' Democracy, said the current plan would enable management to make money from the sale of the options regardless of their performance.

He said it was unacceptable that management be rewarded simply for gains in the share value which do not even represent a return to 1985 levels.

Mr Knoll recommended the strike price of the options be set at DM93.70, the level shares stood at the end of 1985, and that it be raised by 5 per cent a year from January 1 1997.

Deutsche Bank shares are currently trading at DM73.35. Shareholders are expecting the bank to set the strike price at around this level.

Deutsche Bank management has rejected the proposal on the grounds that the future success of the bank cannot be measured on the basis of 10-year-old share prices.

"Only the share price at the time of issue can be a yardstick for setting a strike price in a stock option plan," the bank said. The options will be issued as part of a planned 10-year bond with warrants with a total nominal value of DM40m.

Deutsche Bank is also facing criticism for its role in the DM5.7bn ($3.71bn) loss rung up by Daimler-Benz last year. The bank owns a 24.4 per cent stake in the company and its chairman, Mr Hilmar Kopper, is head of the Daimler-Benz supervisory board.

Deutsche Telekom buys into Malaysian operator

By James Kynge in Kuala Lumpur and Michael Lindemann in Bonn

Deutsche Telekom, Europe's biggest telecoms operator by sales, yesterday extended its activities in the fast-growing Asian market by buying into a Malaysian telecoms operator.

The company, which is readying for privatisation in November, is also in negotiations to take a stake in a Philippines telecoms group.

The German company said it had signed a letter of intent to buy a 21 per cent stake in Technology Resources Industries (TRI), one of three telecoms operators in Malaysia. Talks are also being held to acquire a 35 per cent holding in Asia Communications Philippines.

Having made a number of recent acquisitions in central Europe, Deutsche Telekom is determined to make further inroads in Asia. It made its first investment there a year ago, buying a 25 per cent stake in Satelindo, one of three Indonesian telecoms groups.

"Through these acquisitions Deutsche Telekom is positioning itself in south-east Asia and is further improving its starting position on the way to becoming a global player," said Mr Erik Jan Nederkoorn, the management board member responsible for international activities.

Deutsche Telekom is also looking for a bigger Asian partner, possibly Japanese, to bring into Global One, the three-way global alliance with France Télécom, the French state-owned group, and Sprint, the US telecoms company.

The letter of intent foresees that Deutsche Telekom will acquire 10 per cent of TRI by buying 68.07m new ordinary shares at M$9.50 each for M$646.68m (US$260m). It will buy the remaining 11 per cent from existing shareholders, one of which is expected to be Mr Tajudin Ramli, TRI chairman, who is thought to hold 38 per cent. Trading in TRI was suspended yesterday, but its shares closed on Wednesday at M$8.65.

TRI, through its subsidiary Celcom, is one of three licensed Malaysian operators. It says it plans to use the capital raised to develop its local business and build a fixed-line network.

For TRI, the tie-up is seen as a boon. TRI's international gateway would probably handle calls from Europe via Deutsche Telekom. The expertise of the German company will be invaluable as Celcom competes with the established infrastructure of the former government monopoly, Telekom Malaysia, and the other licensed operator, Binariang, in which US West has a 20 per cent stake.

Mr Cesar Campos, president of Islacom, a subsidiary of Asia Telecommunications Philippines, said talks with Deutsche Telekom would be completed by the end of June. He said the German company would help Islacom install 700,000 new lines by 1998.

Improved sales help offset higher R&D costs at Merck

Merck, the German pharmaceuticals group, said pre-tax profits rose 16.4 per cent to DM209m ($135.3m) in the first quarter, from DM180m the year earlier, AFX News reports from Darmstadt. Traders said the figures were in line with expectations and the shares remained unchanged at DM57.90.

The company said operating profits fell 6 per cent to DM238m because of high research and development costs, and the costs of building its generic drug operations. Net profits rose from DM98m to DM131m, Merck said. Sales in the first quarter climbed 5.1 per cent from DM1.61bn to DM1.69bn, the company said.

Merck attributed the rise in earnings to the benefits of restructuring, to its business expansion, and an improvement in its financial investment income.

The pharmaceutical division, which generates 55 per cent of group sales, reported the strongest rise in turnover with an 8 per cent gain in sales from DM860m to DM931m. Adjusted for last year's sale of the 50 per cent stake in a drug company Cascan, the pharmaceutical division's sales were up 10 per cent. The laboratory equipment division lifted sales 3 per cent from DM409m to DM422m, while specialty chemicals sales fell to DM314m, short of last year's first-quarter of DM317m.

The company reiterated its forecast of a rise in sales and a considerable gain in earnings for the full year. It said an improvement in April had supported its forecast.

● Astra, the pharmaceuticals group, yesterday become only the second Swedish company to list its shares on the New York Stock Exchange, going ahead with the listing despite a wave of adverse publicity in the US over allegations of sexual harassment against senior executives in its US subsidiary, writes Hugh Carnegy in Stockholm.

Astra American Depository Receipts opened at $47, trading in line with Astra shares in Stockholm, which closed up SKr1 at SKr318.50. The shares have risen from SKr305 over the past week in anticipation of the New York listing, which Astra hopes will boost its exposure in the US, where some stock funds were previously unable to invest in the group.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.05.96: Pool purchase price £/MWh	Final Prices for Trading on 28.04.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.95	9.00	9.00
0100	8.95	8.96	8.96
0130	8.96	8.97	8.97
0200	8.95	8.99	10.14
0230	8.95	12.53	13.68
0300	8.95	12.53	13.68
0330	8.95	12.53	13.68
0400	8.95	12.53	13.68
0430	8.95	12.53	13.68
0500	8.95	12.53	13.68
0530	8.96	8.97	8.97
0600	8.96	8.97	10.12
0630	11.98	8.97	8.97
0700	16.31	17.16	18.31
0730	17.05	17.58	18.72
0800	18.78	23.81	25.00
0830	19.39	24.77	25.98
0900	44.42	24.83	26.05
0930	44.58	24.83	26.04
1000	44.54	24.85	26.07
1030	44.28	24.83	26.05
1100	25.94	24.83	26.05
1130	25.98	24.84	26.06
1200	25.93	24.83	26.05
1230	19.53	24.77	25.97
1300	19.01	24.69	25.87
1330	18.48	23.72	24.88
1400	18.29	23.70	24.86
1430	17.98	23.70	24.86
1500	17.84	18.10	19.25
1530	17.32	18.10	19.25
1600	17.08	17.54	18.69
1630	17.08	17.54	18.69
1700	17.09	28.98	30.13
1730	17.09	28.98	30.13
1800	17.01	28.98	30.13
1830	17.00	17.54	18.69
1900	17.00	17.54	18.69
1930	16.98	17.54	18.69
2000	16.96	9.18	9.18
2030	15.96	9.21	9.21
2100	15.38	21.16	22.31
2130	18.31	21.16	22.31
2200	18.31	21.16	22.31
2230	18.31	21.16	22.31
2300	18.31	13.10	14.26
2330	12.50	12.75	13.90
2400	8.94	8.99	10.14

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left eg £18.80/MWh becomes 1.880p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and corrections may be extensive) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE: EUROPE

Revised profits forecast hits Bols shares

By David Brown in Amsterdam

BolsWessanen, the Dutch food and beverages group, yesterday downgraded its earlier forecast for unchanged 1996 profits, warning that first-half profits "from ordinary operations" were likely to fall by between 20 and 25 per cent. This will compare with the Fl 87.9m ($51m) recorded for the same period last year.

The revised forecast surprised traders on the Amsterdam stock exchange, where BolsWessanen shares were marked down Fl 3.60, or 10.5 per cent, to close at Fl 30.90.

Management added that a further "limited" loss stemming from the sale of its Strothmann Germany spirits unit would be booked as an extraordinary expense and further depress the first-half net.

Despite an earlier expectation that 1996 profits would be on par with those achieved last year, the group also warned that full-year earnings would decline by about 10 per cent. It reported income from ordinary operations of Fl 202.9m last year, when there were no extraordinary gains or costs.

BolsWessanen blamed the expected first-half decline on three factors. First, the benefits of restructuring measures in the UK were slow to materialise. These measures included the merger of two cereals companies and a revamp which involved moving its UK-based dry soup operations into a stand-alone facility.

Secondly, BolsWessanen explained, the market for its US dairy activities, which last year generated almost a quarter of total turnover, or Fl 1.18bn, also failed to improve as quickly as the management had hoped.

Finally, BolsWessanen's strategic decision to focus on building market share in the private-label segment of the breakfast cereal market had further cut into profit margins. Management singled out a continued poor outlook in breakfast cereals as being behind its revised expectation for the year as a whole.

The company said profit trends in the group's other activities were still in line with expectations. These included "a lower contribution" – related to divestments – from wine and spirits, part of the beverages business unit which last year generated sales of Fl 987m, and to the transfer of its Italian subsidiary to Campari in early 1996.

The company said its sales of a new cheese brand, Landana, which is marketed in Germany and the Netherlands, plus the integration of a US-based speciality food company, McLane America, into its Tree of Life arm are both proceeding "as planned". It added that exchange rate fluctuations have exerted a relatively minor influence on results to date.

Giat to cut 2,700 jobs as loss widens to FFr10bn

By David Buchan in Paris

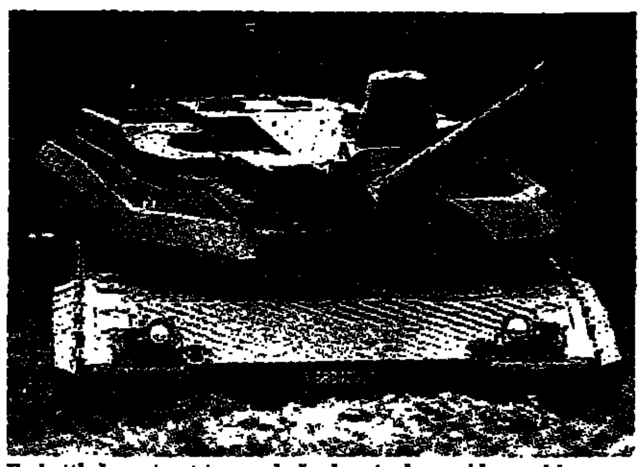
Giat Industries, France's state-owned tank and munitions maker, yesterday announced a plan to reduce its 12,400 workforce by 2,700 by end-1998, after reporting a net loss last year of FFr10bn ($1.9bn), or almost double its FFr5.4bn sales.

As a result, the company said it ended last year with net debts of FFr12.3bn. Therefore, despite the French government's move this spring to inject FFr3.7bn into the enterprise, Giat is considered certain to need further recapitalisation over the next two years.

Mr Jacques Loppion, new Giat president, yesterday outlined a rescue plan involving a return to the company's basic products of tanks, army weapons and munitions; a FFr300m cut in general operating costs this year; a push to forge new alliances with other European armaments makers; and the loss of 2,700 jobs at the company's 14 sites in France.

Last year's net loss was only partly due to the operating loss of FFr1.6bn. Most of it came from the company's move to take a FFr6.2bn provision to clean up its accounts and to cover risks from property investments and the foreign exchange element of its 1993 contract to supply the United Arab Emirates with 436 Leclerc tanks at a fixed dollar price of $3.6bn. Mr Loppion confirmed that inept management of foreign exchange cover on this contract had cost the company some FFr2bn.

The company is also taking a provision of FFr2.2bn to cover the costs of the job cuts, which are to be achieved without the complete closure of any of its factories and through various voluntary schemes rather than outright compulsory redundancies. Even so, Giat unions said yesterday they unanimously rejected the plan.



Embattled: contract to supply Leclerc tank provides cushion

Mr Loppion forecast a broad restructuring, not only of his company but also of the fragmented army weaponry sector in Europe, in which no fewer than 25 big companies were chasing total business of FFr40bn a year. Giat will be hit by the new squeeze in French defence spending, although its Leclerc contract with the UAE gives it a certain cushion, helping swell its current order book to FFr25bn. It also accounted for last year's slight rise in turnover from FFr4.8bn in 1994.

The Giat president said the tripartite programme, between France, Germany and the UK, to develop a new armoured infantry vehicle could create alliances for Giat. Meanwhile, in army weapons and munitions he hoped for link-ups with Rheinmetall in Germany and Royal Ordnance in the UK.

Iberia seeks airline tie-ups ahead of privatisation

By David White in Madrid

Iberia, the Spanish airline which is set to return to profit this year after six years of losses, said yesterday it envisaged taking minority shareholding partners as the first stage of its privatisation.

It said its aim was to link with a European airline and a US carrier. However, Mr Juan Sáez, chairman, would not comment directly on reports of a possible shareholding tie-up with British Airways in the context of a future alliance between the UK company and American Airlines.

Iberia was looking at "various options", he said, which were "all equally interesting". The Spanish flag-carrier has been holding talks with a number of other airlines in Europe and the US, including KLM of the Netherlands and TWA.

Spain's new centre-right government recently included Iberia, which is currently controlled through Téneo, the state holding company, among the companies which it wants to privatise within the next four years. The industry ministry said there would not be a standard model for privatisation, and that this might be done "through strategic alliances with other companies in the same sector, share exchanges or the placement of equity on the market".

Mr Sáez yesterday ruled out the possibility of another company taking full control of Iberia, and indicated that cross-shareholding links would be a first step before an eventual move on to the stock market was considered.

Iberia, its finances bolstered by a controversial Pta87bn ($678.3m) injection of state capital authorised by the European Commission, is forecasting a 1996 net profit of some Pta12.75bn after a Pta44.92bn loss in 1995.

Last year's net result reflected exceptional losses, including provisions of Pta32bn for job cuts. Operating profits, however, showed a sharp improvement from Pta5.92bn the previous year to Pta25.00bn, on sales up from Pta434.11bn to Pta450.58bn. The company is predicting gross operating profits this year of Pta35.37bn.

It said it showed operating earnings of Pta2.88bn in the first four months, a period which had regularly produced losses since 1989.

The second, Pta50bn instalment of the latest state aid package for Iberia is due to be paid this week, in addition to Pta37bn already received.

Air Liquide cautious despite April upswing

By David Owen in Paris

Air Liquide, the French industrial gases group, yesterday hinted at an upswing in its business activity, saying its results in April had been the best for the year to date.

But in a cautious assessment of the group's 1996 prospects, Mr Alain Joly, chairman and chief executive, said it was still "too early" to give more precise indications.

He said 1995 had started well, but the company had experienced a slowdown in business in the second half, particularly in France and Germany. In the first quarter of 1996, "no sign of a turnaround" had been observed.

Consolidated net earnings for 1995, after taxes and minority interests, totalled FFr2.66bn ($510m), an increase of 8.5 per cent from the FFr2.45bn achieved in 1994, or 12 per cent at constant exchange rates.

Sales rose 1.4 per cent from FFr31.75bn to FFr32.19bn. A dividend of FFr14 per share was declared, unchanged from a year ago. The group declared a one-for-10 stock dividend, effective from January 1 1996, to be distributed from September 16.

Mr Joly highlighted the pronounced acceleration in industrial investment undertaken by the group last year. This was mainly financed from cash flow and reserves. He said most of the investments were directly backed by long-term contracts. The group's end-1995 debt to equity ratio stood at 16.6 per cent.

Gases accounted for just under two-thirds of the company's 1995 sales, with healthcare and welding contributing 11 per cent and 12 per cent respectively and engineering 4 per cent. Chemicals and others made up the remaining 7 per cent. Europe accounted for 54 per cent of sales, followed by the US (26 per cent), Asia/Australia (17 per cent) and Africa (3 per cent).

The shares closed down FFr3 at FFr920.

NEWS DIGEST

France to look at sale of Snecma

The French government is to order a study into the possible privatisation of Snecma, the aero-engine maker, according to Mr Bernard Dufour, chairman. However, Mr Dufour said Snecma's ownership should remain entirely French, in view of its strategic role in the defence industry. He said the government would provide Snecma with a capital injection of FFr6bn ($1.2bn) by the end of 1998, and possibly as much as FFr10bn if privatisation went ahead. The money, however, would count as loans on the company's balance sheet.

AFX News, Paris

Voting safeguard for Argentaria

Spain's Argentaria banking group is to set limits on shareholders' voting powers to safeguard its independence after it is fully privatised. The plan, to be put to the general meeting next month, is one of the first measures announced by Mr Francisco González following his appointment as chairman by the new centre-right government last week.

Mr González has made clear the government intends to sell its remaining 25.1 per cent stake. The maximum voting right for any single shareholder will be set at 10 per cent once the state holding is reduced to this level or below. In the interim, the limit will be equivalent to the state's stake.

At the same time, the bank plans to boost dividend payments by reducing its share capital through the cancellation of treasury stock. Spanish companies are allowed to hold up to 5 per cent of their own stock. Argentaria's holding is believed to be between 2.5 and 3 per cent.

David White, Madrid

NCC sees sign of upturn

NCC, Sweden's second-largest construction group, said it saw evidence of a slow upturn in the domestic housing market, severely depressed since 1991. Mr Jan Sjöqvist, president, said the sector was expected to grow weakly in 1996 and 1997. Industry forecasts suggested new housing starts would rise 8 per cent this year and 22 per cent next year, but it would take longer before overall housing operations came up to "more normal levels".

NCC said a SKr27m pre-tax loss in the first quarter of 1995 had swung to a SKr18m ($1.9m) profit this time. It said the cold winter had delayed many projects, but repeated earlier forecasts that full-year profits would outstrip last year's figure of SKr230m. Operating profits were SKr165m, against SKr149m, and the company said it had lost SKr63m through its stake in Silja, the Finnish ferry operator.

Greg McIvor, Stockholm

Golf clubs drive Salomon rise

Salomon, the world's largest manufacturer of ski bindings, posted a 28 per cent increase in net income, spurred by a 50 per cent advance in sales of Taylor Made golf clubs and improved productivity in its alpine ski division. The Annecy-based group, which has diversified in recent years into summer sports, reported net income of FFr206m for the year to March 31 1996, on sales ahead 5.1 per cent at FFr4bn. The income figure excludes an exceptional profit of FFr174m, arising from the stock market introduction of the group's Japanese subsidiary. The board is to propose a net dividend of FFr30, plus an exceptional dividend of FFr25.

David Owen, Paris

Matsushita counts cost of MCA sale

By William Dawkins in Tokyo

Matsushita, Japan's largest consumer electronics group, yesterday reported a decline in annual consolidated profits because of its costly retreat from the US entertainment industry, but forecast a sharp recovery this year.

Group turnover at the Osaka-based conglomerate fell 2 per cent to Y6,794.9bn ($63.5bn), on which pre-tax profits were down 67 per cent to Y76.6bn in the year to March.

Underlying turnover was ahead 5 per cent after adjusting for the lost contribution from MCA, the US movie-making company in which Matsushita sold its controlling stake in April last year.

Adjusting for the Y164.2bn foreign exchange translation loss on the MCA sale, Matsushita's taxable profits rose by 10 per cent to Y240.8bn.

Group operating profits grew by 2 per cent to Y264.5bn, or by an adjusted 11 per cent. There was a net loss of Y56.9bn, compared with a net profit of Y90.5bn in the previous year. Again, after adjusting for the MCA sale, net profits would have risen by 27 per cent to Y107.3bn.

With MCA behind it, Matsushita said it was expecting a 6 per cent rise in group sales to Y7,200bn and a 252 per cent increase in pre-tax profits – or 12 per cent after adjusting for the sale – to nearly Y270bn in the current year to next March.

At the parent company level, Matsushita came in with a 19 per cent rise in recurring profits – before tax and extraordinary items – to Y103.17bn. This was slightly below its own forecast of Y110bn, a reflection of a domestic price war in audio equipment.

Domestic sales, just over half the group total, rose 8 per cent to Y3,727bn last year, led by increased demand for information and communications equipment, factory automation, semiconductors and batteries. However, private consumers continued their preference for lower priced goods.

Overseas sales fell by 12 per cent to Y3,067bn, but were ahead 2 per cent if MCA's turnover is excluded from the previous year.

By product category, the fastest sales growth came from electronic components, up 14 per cent in response to the boom in Japan's personal computer market. Communication equipment sales rose 2 per cent, chiefly because of the sharp expansion in Japan's mobile telephone market.

Video and audio equipment sales were down 4 per cent and 7 per cent respectively in an intensely competitive market, in which all Japanese producers suffered, including Pioneer, which yesterday reported a sharp increase in group net losses and more hard times ahead.

Pioneer ended the year Y9.99bn in the red at the consolidated level, after a Y1.19bn net loss in 1995, on sales down by 0.6 per cent to Y506.6bn. It cited a global fall in prices for home audio-visual goods and slow domestic sales of commercial video products.

Pioneer swung from a group pre-tax profit of Y2.8bn to a pre-tax loss of Y14.8bn over the same period.

It expects increased spending on new products, such as digital video discs, even more intense international competition, and a continued drift towards lower-priced products in the year to come.

On that basis, Pioneer forecasts an Y11.6bn parent company net loss in the current year, down from last year's Y15.65bn.

Cost cuts help KDD report 16% advance

By Michiyo Nakamoto in Tokyo

Increased competition in Japan's international telephone market put pressure on KDD, the country's largest international carrier which suffered a 2 per cent fall in sales but managed to increase profits on cost-cutting.

Consolidated revenues fell from Y292.7bn to Y287.2bn ($2.69bn) in the year to end-March, despite an increase in international traffic. KDD, however, lifted recurring profits – before extraordinary items and tax – by 16 per cent from Y29.7bn to Y34.3bn on the strength of cost-reduction measures. Net profits were also 22 per cent higher at Y13.8bn, against Y11.3bn.

The group said that the fall in revenues was mainly due to successive rate cuts. After cutting rates in late-1994, in the face of growing competition, KDD implemented a further rate cut last November, which had a negative impact of about Y5bn, it said. Call traffic was firm, showing a 9 per cent increase over the previous year.

Meanwhile, the group implemented cost cuts through an early retirement scheme and technical improvements.

The business environment is improving, and KDD expects revenues in the current year to increase to Y317bn and recurring profits to rise to Y37bn. Net profits are also forecast to be higher at Y18bn.

● Japan Telecom, the long-distance telecoms operator affiliated to the JR railway companies, reported a strong rise in non-consolidated recurring profits which reflect the growth of the company's cellular phone business.

Sales in the year to March were ahead 10 per cent from Y304.8bn to Y335.6bn. Recurring profits more than doubled from Y18.2bn to Y41.9bn while net profits also doubled from Y10bn to Y21.3bn.

Australian bank forms Indonesian joint venture

By Nikki Tait in Sydney and Manuela Saragosa in Jakarta

Commonwealth Bank, the partly-privatised Australian institution, and Bank International Indonesia, the country's third-largest lender, are to establish a joint venture bank, based in Jakarta and aimed at the corporate and commercial lending markets.

The new bank – to be called PT Bank BII Commonwealth – will be owned on a 50-50 basis. Commonwealth acknowledged that this was a break from tradition in Indonesia, where joint venture banks have usually been controlled by the foreign partner. BII has a 15 per cent stake in two other joint venture banks in Jakarta – Fuji Bank and Credit Lyonnais.

The new bank is being set up despite recent regulations from the central bank, Bank Indonesia, aimed at reducing the number of banks in the sector. The number of Indonesian banks more than doubled to 243 in the six years after 1988, when the sector was deregulated, making Bank Indonesia's supervisory role difficult.

An official at BII said the application to form Bank BII Commonwealth was made before the regulations were introduced. He said Bank BII Commonwealth's paid-up capital of A$85m (US$67.3m) meets the minimum Rp150bn (US$64.3m) capitalisation required for all foreign exchange banks under Bank Indonesia's new regulations.

Although the joint venture bank will initially draw customers from the commercial and corporate sectors, Commonwealth said the consumer market could offer "significant opportunities" over the longer term.

The Australian bank said that the venture was a product of a "long-standing relationship" with Sinar Mas, BII's parent. Sinar Mas, one of Indonesia's largest conglomerates, has been a corporate client of Commonwealth for about 10 years, dealing mainly through Commonwealth's Singapore office.

Commonwealth is one of the four large national banks in Australia. It is currently 50.4 per cent owned by the federal government, although there are plans for that stake to be sold down in the next few months.

Mitsubishi Heavy posts 16% rise

By Gerard Baker in Tokyo

Mitsubishi Heavy Industries, the largest of Japan's shipbuilding, defence equipment and general heavy engineering giants, yesterday reported record pre-tax profits for the year to end-March.

The company said strong demand for machinery at home and buoyancy in most of its overseas markets had combined to lift group recurring profit – before extraordinary items and tax – by 16 per cent on a year earlier to Y180.1bn ($1.68bn).

Turnover was ahead 5.9 per cent to Y3,030bn and net profit was 33.2 per cent up at Y103.8bn. Operating profit, however, was 0.8 per cent lower at Y185.3bn.

Mr Yoshihisa Tsuda, MHI executive vice-president, said much faster exports of paper and steel manufacturing machinery had been the key factor in the improvement in turnover.

The machinery division of the parent company posted a 19 per cent increase in sales to Y636.4bn. Within that figure, exports grew even faster – up by more than 35 per cent on a year earlier at Y230.2bn.

In the past few years the big engineering companies have relied increasingly on sales of manufacturing and construction equipment to offset the continuing decline in the domestic shipbuilding market, their traditional core strength.

While heavy machinery manufacturing performed well, all the company's other main businesses showed only modest increases last year. Sales from shipbuilding and steel structures rose 3.1 per cent to Y422.3bn; power systems sales were also higher by 3.1 per cent at Y793.1bn, while aircraft and special vehicles output grew 3.6 per cent to Y424bn.

The bulk of these increases came from exports – in Japan sales of ships, steel and power systems all fell; only aircraft and machinery sales registered increases. In all, export sales accounted for 28 per cent of total turnover, against 25 per cent last year.

MHI's parent company reported a 17.8 per cent increase in recurring income, to Y166.6bn, on turnover up 5.6 per cent at Y2,644.1bn.

For the current financial year the parent expects Y175bn in recurring income from total sales of Y2,700bn.

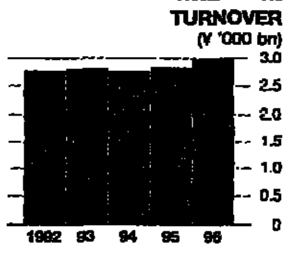
PROFILE:

MITSUBISHI HEAVY INDUSTRIES

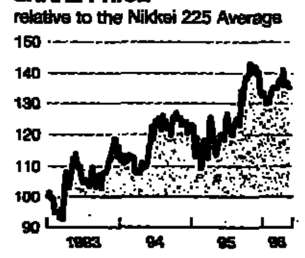
Market value: $29.1bn Main listing: Tokyo

Historic P/E	39.05
Gross yield	1.00%
Earnings per share	¥ 30.8
Current share price	¥ 922

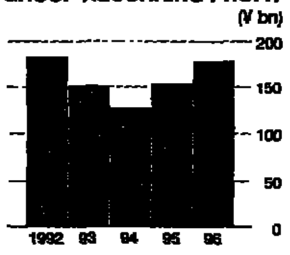
TURNOVER (¥ '000 bn)



SHARE PRICE relative to the Nikkei 225 Average



GROUP RECURRING PROFIT (¥ bn)



Source: FT Extel, Datastream, Reuter

● Sasebo, one of Japan's struggling smaller shipbuilding and heavy engineering companies, yesterday reported an increase in recurring profit on a sharp decline in sales in the year to March.

Turnover was down 12.9 per cent to Y49.6bn, although tighter control of costs enabled the company to improve its recurring profit to Y2.4bn, from Y2.3bn the previous year.

Write-offs hold Japan's insurers back

By Emiko Terazono in Tokyo

Profits at a premium (Ybn)

	Net premium income	Change on year (%)	Underwriting profit	Change on year (%)	Investment yield (%)	Recurring profit*	Change on year (%)
Tokio	1,278.6	+3.3	84.7	+10.4	3.6	92.1	- 0.6
Yasuda	910.3	+3.3	43.9	+ 0.4	3.5	35.8	- 4.2
Mitsui	619.8	+3.1	32.5	+ 4.3	3.8	26.8	-14.1
Sumitomo	542.2	+4.0	27.1	- 9.1	4.0	29.9	- 7.3
Nippon	432.5	+1.4	19.0	+91.4	3.7	20.8	- 6.7

* Before extraordinary items and tax. Source: Companies

Japan's leading non-life insurance companies saw moderate increases in premium income for the year to March, but recurring profits – before extraordinary items and tax – suffered from falling returns on investments and write-offs of bad loans to the country's bankrupt housing loan companies.

The insurers' underwriting business was helped by the absence of catastrophic weather. Demand for car-related insurance supported premium income, while the industry's announcement of its dividend reduction on long-term policies from October also helped sales of personal accident insurance.

While recurring profits were helped by the decline in unrealised losses on securities and other asset holdings, the companies were hit by the fall in investment yields due to low interest rates and write-offs of loans to the *jusen* housing lenders.

Low investment yields are expected to continue to affect earnings for the current year, and the companies are forecasting flat or marginal increases in recurring profits despite strong growth in net premium incomes.

Tokio Marine & Fire, the industry leader belonging to the Mitsubishi group, saw its unconsolidated gross business balance rise by 1.7 per cent. Non-underwriting profits plunged 53.7 per cent due to declining interest rate and dividend income, while the company wrote off Y13bn ($122m) in loans to the *jusen*. For the current year to March, parent recurring profits are expected to rise 3.1 per cent to Y95bn on a 3.2 per cent increase in premium income to Y1,320bn.

Yasuda Fire & Marine saw a 22.8 per cent rise in its gross business balance to Y98bn, but saw a sharp increase in its repayments linked to matured policies. Non-underwriting losses rose 27.7 per cent to Y8.1bn and the company posted Y13.5bn in jusen-related losses. For the current year, non-consolidated recurring profits are forecast to rise 0.7 per cent to Y36bn on a 3.3 per cent increase in premium income to Y940bn.

Mitsui Marine & Fire posted a 13.2 per cent rise in its gross business balance but suffered a non-underwriting loss of Y5.7bn due to Y14.8bn of depreciation charges linked to its new head office building. Mitsui also wrote off Y5.9bn of its *jusen*-related loans. For the year to next March, the company sees a 6.3 per cent rise in unconsolidated recurring profits to Y28.5bn on premium income up 2.6 per cent to Y636bn.

Sumitomo Marine & Fire posted a 17.7 per cent rise in its gross business balance to Y60.7bn. The company's dividend income rose as a result of its convertible bond issuance last year, but it posted special losses of Y4.6bn in *jusen*-related loans and Y5.3bn in bad loans to the failed Hyogo Bank. For the current year recurring profits are expected to rise 0.3 per cent to Y30bn on a 2.4 per cent increase in premium income to Y555bn.

Nippon Fire & Marine saw its gross business balance rise 25.9 per cent while underwriting profits rose sharply as a result of an 8.9 per cent fall in repayments for maturing policies. The company wrote off Y6.3bn in *jusen*-related loans. For the current year the company forecasts a 3.7 per cent fall in recurring profits to Y20bn on a 2.7 per cent rise in premium income.

Japan paper groups helped by price rises

By Emiko Terazono

Sharp rises in paper prices boosted sales at Japanese producers in the year to March.

Nippon Paper Industries, the country's largest paper manufacturer, posted a 211.9 per cent rise in unconsolidated recurring profits – before extraordinary items and tax – to Y44bn ($41m). Sales rose 8.5 per cent to Y702bn while after-tax profits almost doubled to Y20bn. The company said it will raise its dividend by Y1 per share to Y8.

Sales of the company's paper division rose 12.1 per cent to Y532.9bn on firm demand for leaflets, catalogue and computer paper. However sales of processed paper products fell 3.6 per cent, building materials declined 6.7 per cent, and pulp lost 4.4 per cent.

New Oji Paper, which will merge with Honshu Paper in October, saw non-consolidated recurring profits jump 177.1 per cent to Y48.1bn on an 8.1 per cent increase in sales to Y597.3bn. Net profits rose 103.6 per cent to Y18.6bn.

NEWS DIGEST

NEC records third year of growth

Fast growth in Japanese demand for mobile telephones and personal computers allowed NEC, the country's leading computer company, to achieve its third consecutive year of increased group profits and sales in 1995.

NEC yesterday reported more than doubled pre-tax consolidated profits of Y151bn ($1.41bn) in the year to March, on sales up 16.7 per cent to Y4,397bn. Japan's economic recovery and the growing world market for multimedia and Internet-related products should permit an 11 per cent growth in group sales to Y4,900bn in the current year to next March, on which it forecasts a 10 per cent increase in net profits to Y85bn.

Mr Yoshihiko Suzuki, NEC vice-president, attributed the improvement to strong sales of personal handy phones (cut-price mobile phones), cellular telephones, personal computers and memory chips.

Group operating profits last year rose 59 per cent to Y247.8bn and net income more than doubled to Y77.2bn.

During the second half of the year, the Japanese economy began to recover, but US and European markets were flat. Asia, however, showed continued growth, said NEC. Accordingly, the group established new plants for telecommunications and computer equipment in Asia.

At the parent company level, sales were ahead 14.7 per cent to Y3,448.7bn, on which net profits increased by 83.6 per cent to Y55.6bn. *William Dawkins, Tokyo*

Restructuring assists Omron

Omron Corporation, the leading Japanese maker of control components, said yesterday its continuing restructuring programme had helped to produce a sharp increase in pre-tax profit in the year to the end of March. The company reported sales up by 7.3 per cent on a year earlier to Y525.3bn, but recurring profit – before extraordinary items and tax – rose 29.2 per cent to Y32.2bn ($30m). Net profit increased by 20.0 per cent to Y14.6bn.

A range of measures aimed at reducing costs had produced strong dividends, the company said. The expansion of overseas production, emphasised by the opening in March of three new factories in Shanghai and the expansion of facilities in Indonesia, had been complemented by a strategy of faster development of higher value-added products.

Sales from its main control components and systems division rose 11 per cent from a year earlier on stronger domestic and overseas demand from semiconductor and personal computer manufacturers. But two other leading sectors reported declines. Speciality products sales fell 9 per cent as a result of weaker demand especially from Japanese car makers. Sales of electronic funds transfer systems fell 4 per cent, largely because of a decline in overseas orders of point-of-sale and financial systems.

In the current financial year, Omron said it expected continuing strong growth in east Asia, a slower pace in Europe and the US, and further difficulties in Japan. As a result, it expected turnover to increase by 6.6 per cent to Y560bn, and recurring profit to expand by 11.6 per cent to Y36bn. *Gerard Baker, Tokyo*

Japan Tobacco edges ahead

Japan Tobacco, the country's sole cigarette manufacturer, posted a marginal rise in profits and suffered a decline in sales due to weaker domestic demand and increasing competition from imports.

Unconsolidated recurring profits – before extraordinary items and tax – rose 0.9 per cent to Y116.3bn ($1.09bn) for the year to March on a 1 per cent fall in sales to Y2,660.8bn. After-tax profits slipped 0.6 per cent to Y66.1bn.

Cigarette and tobacco sales dipped 1.3 per cent to Y2,613bn due to declining domestic demand, while sales of the company's other businesses including property, engineering and foods, rose 19.1 per cent to Y47.8bn.

Consolidated recurring profits rose 2.6 per cent to Y132bn on a 1.3 per cent rise in group sales to Y3,548.8bn. After-tax profits fell 2.2 per cent to Y67.9bn.

For the full year to March, the company expects parent recurring profits to fall 0.3 per cent to Y116bn while sales are forecast to remain flat at Y2,658bn. On a consolidated basis, the company sees a 3 per cent fall in recurring profits to Y128bn on a 0.9 per cent rise in sales to Y3,580bn. *Emiko Terazono, Tokyo*

Pacific Dunlop ends alliance

Pacific Dunlop, the Melbourne-based conglomerate, said yesterday it was selling back to Adidas, the German sportswear company, a 51 per cent interest in the two companies' Australasian joint venture.

The joint venture covers the sale and distribution of Adidas footwear and clothing in Australia and New Zealand, and was formed in 1993. Pacific Dunlop had previously had a licensing agreement, in effect since 1974.

The sale was suggested by the German group, although Pacific Dunlop said yesterday it was always expected that this might happen at some stage and that it was "consistent with Adidas's desire to fully own their brand globally".

Pacific Dunlop will realise a net gain over book value in excess of A$50m (US$39.6m) as a result of the deal. The Australian company declined to say what value was put on its 51 per cent interest in the joint venture in its books, but it is thought to have been about A$15m. If so, the sale price would value the joint venture overall at some A$130m. *Nikki Tait, Sydney*

Charge checks Yamaha Motor

Yamaha Motor, the world's second-largest motorcycle maker, posted a firm rise in sales in the year to March, helped by buoyant demand for its air conditioners and industrial robots in Japan and motorcycles and motorcycle parts overseas.

Group sales rose 10 per cent from Y666.3bn to Y732.8bn ($6.85bn), helping to boost recurring – before extraordinary items and tax – profits 34 per cent from Y8.9bn to Y11.9bn. Net profits, however, fell 9 per cent from Y4bn to Y3.7bn due to an extraordinary charge taken to reflect the restructuring of its boats business. *Michiyo Nakamoto, Tokyo*

Larsen & Toubro sharply up

Larsen & Toubro, the leading Indian engineering and cement group, saw a sharp rise in earnings in the year to March as a result of increased demand in its mainstay products and services. The company posted a 31.4 per cent rise in profits before tax to Rs4.3bn ($123m) on a 30 per cent increase in sales to Rs42.48bn. Net profits were up 40 per cent to Rs3.89bn.

The company raised its cement production by 35 per cent to 3.9m tonnes. It will be commissioning a new cement plant with capacity of 1.75m tonnes a year in September 1997. The total cement manufacturing capacity will be raised to 12m tonnes by the turn of the century.

The company has teamed up with Community Electricity Authority of the US and the Steel Authority of India to build a 500MW coal-fired power plant in Bhilai. The project has received the clearances from the Central Electricity Authority and the ministry of environment.

The company is also in the process of forming a joint venture with Samsung Electronics of South Korea for making large switches, transmission and paging systems and switchboards. *Kunal Bose, Calcutta*

Indian finance group improves

The Industrial Finance Corporation of India, one of the country's large financial institutions, announced gross earnings before depreciation and tax of Rs5.02bn ($143.8m) in the year to March 31. This compared with Rs3.57bn in the previous year, a rise of 40.5 per cent.

Net profits grew by almost 30 per cent from Rs2.74bn to Rs3.55bn on total income up by a third to Rs19.36bn. Earnings per share rose from Rs7.79 to Rs10.07 and the dividend goes up from Rs2.20 to Rs 2.50. *Kunal Bose*

COMPANIES AND FINANCE: THE AMERICAS

Magellan thrust back into the public gaze

The resignation of Jeffrey Vinik has revived speculation about the fund's future

A tremble ran through the stock and bond markets at yesterday's news that Mr Jeffrey Vinik, manager of Fidelity Investments' Magellan mutual fund, had resigned to set up his own firm. Such is the power of Fidelity, the largest mutual fund group in the US managing $442bn, of the Magellan Fund, with assets of $56bn, and of Mr Vinik himself.

The Magellan fund has an illustrious history since it was set up in 1963, with managers including Mr Edward Johnson III, now the chairman of Fidelity, and Mr Peter Lynch, a legendary investor.

More recently Magellan has come under a cloud. After Mr Lynch retired in 1990, the fund was managed for two years by Mr Morris Smith. Mr Vinik took over in 1992, and in his time at the helm has produced a return of 83.7 per cent, compared with 77.8 per cent for the S&P 500 index and 79.4 per cent for general equity funds, Fidelity said yesterday.

That return is despite a poor performance recently. Mr Vinik rebalanced the portfolio last autumn by selling the heavy weighting it had in technology stocks and shifting the proceeds largely into cash and bonds.

In the short term that has undermined Magellan's performance. By the end of April it was showing a return for the year of 2.44 per cent against 6.92 per cent for the S&P 500.

Mr Vinik missed the bounce in the technology sector this year, while the weighting of nearly 20 per cent in the Treasury bond market meant the fund suffered from the bond market fall which has taken the yield on the 30-year long bond from 6 per cent to 7 per cent since the start of the year.

Mr Vinik has also been attacked in press reports which said – inaccurately it transpired – that he was being investigated by the Securities and Exchange Commission for his personal share trading.

The question being asked yesterday was did he go or was he pushed? Mr William Hayes, Director of Equities at Fidelity, categorically denied that speculation. "We are very, very sorry to have Jeff leave. He has done an outstanding job at Magellan."

Outsiders who watch Fidelity agree. Mr Michael Lipper, head of Lipper Analytical which tracks mutual funds, said: "Many people will think he was pushed. I do not." Mr Jim Raker of Morningstar, another company which ranks mutual funds, said: "There will be speculation that Vinik was forced out. I think he was not."

Jeffrey Vinik: opinions vary on the reasons for his departure

The next question is what the move means for Fidelity. The firm itself has been under attack of late. A Business Week article this month headlined Fixing Fidelity, asserted "the $400bn behemoth from Boston has started to slip".

In March the firm shuffled several of its equity managers, and more moves were announced yesterday in the wake of Mr Vinik's resignation. Mr Hayes was forthright in saying the firm can handle changes. "It's happened before," he said, "we have a very deep bench," meaning the firm has a number of good managers in reserve.

Mr Raker, however, thought a second shake-up of managers could unsettle investors. "It is bad for Fidelity. It makes them look foolish."

Mr Robert Stansky, who will take over management of the Magellan fund, has run Fidelity's $8bn Growth Company fund for nine years where he has outperformed the Magellan fund in 1995 and so far this year. Mr Raker thought Mr Stansky was well qualified to handle the larger Magellan fund, but the real challenge would be whether he could "take the scrutiny".

Meanwhile, Ms Abigail Johnson, the 34-year-old daughter of Mr Johnson, who owns 24 per cent of Fidelity's equity, has been assigned to run the Trend fund. Is she being groomed for the top job? Mr Lipper believed her move was significant. "She is being moved along quicker than I would have thought."

Market-moving power, money, personalities, questions of family succession, are all ingredients which will keep the Fidelity story in the headlines. Rather than damping interest, the departure of the high-profile Mr Vinik is likely to intensify it. The privately-owned firm cannot avoid the public eye.

Maggie Urry

Canada divided over a single watchdog

Canada's unwieldy system of securities regulation is a boon for law firms and courier services but often a curse for the securities industry, its clients and the regulators.

The lawyers and couriers profit handsomely from the presence of an autonomous securities commission in each of the 10 provinces and two northern territories. Issuers of securities must pay a sum to clear and distribute prospectuses, insider trading reports and other documents across the country – not to mention 12 sets of filing fees to the commissions themselves.

The expense and red tape have prompted calls over the past two decades for a single Canadian Securities Commission. But all attempts to create a national watchdog have foundered on regional jealousies and the provinces' reluctance to loosen their grip on a revenue source.

However, the idea of a single regulator has gained impetus in recent months. Mr Ed Waitzer, chairman of the Ontario Securities Commission, whose jurisdiction includes the country's biggest stock exchange in Toronto, says "patience is wearing thin".

The latest drive for a Canadian Securities Commission received a boost last December when Ontario's newly-elected Conservative government indicated it was keen to do a deal as part of a drive to improve efficiency.

Ontario, where the lion's share of securities transactions take place, has put pressure on other provinces by suggesting it may go ahead with a bilateral arrangement with Ottawa, with or without other provinces. The hope is smaller provinces will follow suit.

Intensive talks have taken place among all the provinces in recent months. The proposed national commission would be a self-funded autonomous agency, based in Toronto, but with representation from other provinces. Limited powers would be devolved.

Mr Waitzer puts the odds on an Ontario-Ottawa deal at only 50:50. The chances of the three next most important provinces – Quebec, British Columbia and Alberta – joining in may be even slimmer. Quebec's separatist government has so far viewed the creation of a Canadian Securities Commission as an opportunity to bolster the status of the French-speaking province's own regulator.

Strong regional interests in other parts of the country also remain a stumbling block. The handful of securities firms based outside Toronto are worried that their concerns may get lower priority in a national system. Similarly, powerful companies in the smaller provinces are concerned that their influence might diminish if they were forced to deal with a national regulator.

Funding for the new body is another issue. Securities regulation is a useful revenue source for some provinces. The Ontario Securities Commission collected C$46.3m (US$33.73m) in fees in the year to March 31 1995, but the government held its spending budget at only C$20.9m.

The federal government has offered the provinces compensation payments totalling C$150m. The fear in the securities industry however, is that this payment may be passed on to the new commission in the form of debt, to be paid off by users of its services. Fees would thus be set not only to cover the costs of regulation, but also to pay down the debt.

The danger is that, in an attempt to satisfy regional interests, the negotiations could end in a tortured compromise. The goal of setting up a national securities body might be achieved, but the body might have such limited powers that it would do little more than add a layer of bureaucracy to the present structure. As Mr Waitzer says: "The last thing we need is a federal system that's worse than what we have now".

Bernard Simon

Talisman Energy in C$372m fundraising

By Bernard Simon in Toronto

Calgary-based Talisman Energy plans to raise C$372m (US$292m) in new equity, joining a growing list of Canadian oil and gas producers taking advantage of strong investor interest to raise equity.

Talisman, which took on substantial debt earlier this year to finance its purchase of Goal Petroleum of the UK, plans to raise C$372m through a public offering of 12m shares at C$31 each. The underwriting syndicate is led by RBC Dominion Securities.

Proceeds will initially be used to reduce debt, currently totalling C$1bn, or about two times cash flow, which is considered high in the Canadian energy sector.

In the longer run, Talisman plans to use its stronger balance sheet to finance an ambitious capital spending programme, which is expected to rise from C$525m this year to at least C$600m in 1997. "We might have had to cut back in some fairly successful areas if we didn't have more money," the company said.

Talisman, formerly BP Canada, has been one of western Canada's fastest-growing energy companies since the UK group sold its 57 per cent stake in a public offering in 1992.

Almost a third of next year's outlays is earmarked for the Corridor gas project in Indonesia, in which Talisman has a 36 per cent working interest. The company also expects to participate in a number of North Sea asset swaps and other deals to raise its interest in some blocks acquired as part of the Goal takeover.

The Talisman issue reflects the mood for expansion prevailing throughout the oil and gas sector.

Other recent equity issues have included Gulf Canada Resources' C$386m offer and Poco Petroleum's C$172m issue. A spate of mergers and acquisitions have taken place, notably Petro-Canada's C$731m purchase of Amerada Hess's Canadian subsidiary.

NEWS DIGEST

Kimberly-Clark in $220m P&G deal

Kimberly-Clark is to sell three brands of baby wipes to one of its rivals, Procter & Gamble, for $220m. Kimberly acquired the brands through its merger last year with Scott Paper, and has been ordered to sell them by the US competition authorities.

Kimberly said it would generate $500m-$600m this year through disposals, this one included. Other assets which must be sold after the merger include the Scotties tissue business in the US and the Kleenex toilet business in the UK.

The company will also sell its remaining 20 per cent interest in the Midwest Express airline and its 50.1 per cent holding in Scott Paper of Canada. All disposals will be completed by the year end, Kimberly said. *Tony Jackson, New York*

Hudson's Bay losses soar

First-quarter losses more than tripled at Hudson's Bay, Canada's biggest retail chain, mainly because of a C$64m restructuring charge. The charge and the poorer operating results at the group's two biggest chains, The Bay and Zeller's, are indications of the challenges facing Canada's retailers as they struggle to compete against US-controlled "super-stores".

Hudson's Bay's losses rose to C$53.4m (US$38.9m), or 91 cents a share, in the three months to April 30, from C$14.7m, or 25 cents, a year earlier. Revenues dipped to C$1.19bn from C$1.23bn. The restructuring charge amounted to C$36.4m, or 62 cents, after taxes.

The group said it was disappointed with the results, but expected to show an improvement for the rest of the year. *Bernard Simon, Toronto*

Bombardier starts year firmly

Bombardier, the international aerospace and transport equipment group, posted first-quarter earnings of C$74.1m (US$53.98m), or 22 cents a share, up 19 per cent from C$62.4m, or 19 cents, a year earlier on revenues of C$1.6bn, up 18 per cent. Bombardier said the revenue gain came from higher activity in all business units. Each contributed more to earnings.

The results were in line with market estimates, but Bombardier did not include a breakdown by segment. However, the firm order backlog slipped slightly to C$9.7bn at April 30 from a year earlier. *Robert Gibbens, Montreal*

Inco deal may be delayed

A lawsuit filed by a group of Texas investors may delay a proposed C$4.3bn (US$3.13bn) deal for Inco, the Toronto-based nickel producer, to acquire Diamond Fields Resources, the small exploration company whose main asset is a rich nickel, copper and cobalt deposit at Voisey's Bay, Labrador. The deal is due to be finalised on May 29. But Inco officials indicated that the lawsuit has raised concerns whether conditions in the takeover agreement can be fulfilled by then. "We will not close until the conditions are met," an Inco legal adviser said. *Bernard Simon*

Tellier joins McCain Foods

McCain Foods, the international frozen foods group, has appointed Mr Paul Tellier, chief executive of Canadian National Railway, as one of three outside directors. The company, with annual sales of more than C$4bn, is owned by the McCain family and only recently named outside directors. *Robert Gibbens*

COMPANIES AND FINANCE: UK

Storehouse cautious despite a 21% increase

By Christopher Brown-Humes

Storehouse yesterday reported a 21 per cent jump in annual pre-tax profits to £109.9m ($167m), despite disappointing sales at BHS and Mothercare, its two main chains.

Its shares dipped 7p to 327p amid continuing concerns about sales momentum in the current year.

Mr Keith Edelman, chief executive, was less bullish about the retail environment than fellow stores groups, Marks and Spencer and Kingfisher, earlier in the week. He said there were signs of returning consumer confidence, "but the customer is very demanding and value-conscious".

Storehouse, which last week completed the £62.5m purchase of Childrens World from Boots, said many of the 61 existing and new stores acquired would take on the Mothercare name.

Mr Edelman said: "Mothercare is a much stronger brand than Childrens World. My gut feeling is that the [Childrens World] name will disappear, but we are not closing our options."

Storehouse will this year make an £18.5m goodwill write-off for the acquisition and plans a £16m to £18m exceptional charge for integration and rationalisation. Childrens World's head office will close.

The higher profits for the year to March 30 – struck after a £1.2m profit on the sale of the One-Up discount chain – came after a 1.5 percentage point rise in gross margins reflecting fewer price mark-downs.

But the margin gain was at the price of disappointing sales growth, with like-for-like sales at Mothercare down more than 1 per cent, and at BHS by more than 2 per cent.

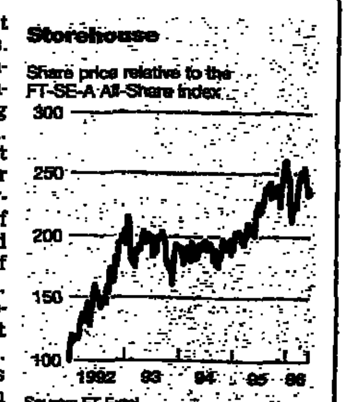
BHS operating profits rose 11 per cent to £77.4m. Its performance, initially dented by poor womenswear and childrenswear sales, improved as the year progressed, with like-for-like sales up 2 per cent in the final quarter.

But Mothercare had a disappointing second half, due to difficulties with the introduction clothes ranges for older children and maternity fashion. Even so, after a strong first half,it still achieved a 42 per cent rise in operating profits to £24.2m.

There was good growth in the overseas franchise operations, with Mothercare's international sales rising 46 per cent and BHS's climbing 17 per cent.

LEX COMMENT

Storehouse



The British high street seems to be in two minds. Pillars of the retail establishment like Marks and Spencer have boasted of a strong pick-up in sales growth. However, both government statisticians and another retailer, Storehouse, delivered a more dour version of events yesterday. Non-food stores saw sales growth of only 0.4 per cent in April, compared with March, providing little evidence of that elusive "feel-good factor". Meanwhile, like-for-like sales at Storehouse's British Home Stores chain fell 2 per cent in the year to March, and it suffered an even steeper second half decline at Mothercare.

Storehouse's ability to drive profits growth against this background has been extraordinary. The operating margin at BHS has risen to 10.3 per cent. And this is higher than M&S – after adding a similar rental charge – which achieves double the sales per square foot. Nonetheless, after pursuing the sound strategy of rebuilding margins, Storehouse is now going to have to meet its promise of driving sales. BHS saw a recovery in sales in the first quarter of 1996, but Mothercare is proving more troublesome, following a poor reception of new product lines. Storehouse should deliver 15 per cent earnings growth this year, putting it on a price-earnings multiple 12 per cent higher than the market average, but some way short of its peers. This seems unfair. It has strong brands and a growing international franchise business. But until it can demonstrate sales growth, scepticism will remain.

C&W returns to profits growth

By Alan Cane

Cable and Wireless returned to profits growth in an extraordinary year which saw the chairman and chief executive dismissed and replaced, the loss of 1,900 jobs at Mercury Communications, and the collapse of merger talks with British Telecommunications.

The results were in line with market expectations, but the shares lost 13p to close at 446p as the market expressed its disappointment that the BT merger talks seem unlikely to be revived. Profits before tax came in at £1.34bn ($2.03bn), a 59 per cent improvement.

Excluding exceptional items, however, pre-tax profits rose only 10 per cent to £1.26bn compared with £1.14bn. The exceptional items were a £199m profit from the sale of the group's interest in Mannesmann Mobilfunk, and a charge of £120m from writing down certain East European interests.

Last year profits were depressed by restructuring charges throughout the group and redundancy charges at Mercury.

Turnover at £5.52bn was 7 per cent ahead of last year, while operating profits grew 16 per cent to £1.31bn.

Dr Brian Smith, chairman, said all the major units were performing well and the signs were that the current year would prove successful. He said, however, that there was no possibility of further merger negotiations after the collapse of the talks with BT.

Mercury Communications, he said, was no longer the sick man of the company. After substantial restructuring and refocusing, operating profits grew 14 per cent to £231m on a turnover of £1.7bn, up 3 per cent on last year.

Mr Peter Howell-Davies, Mercury chief executive, said improving Mercury's relationship with the cable companies was one of the more important strategic issues the company faced.

He said there would be synergies in increasing the group's equity stake in BellCable Media where C&W has a 13 per cent holding.

Number portability, where a customer can retain the same telephone number when changing operators, would benefit the company but it had reached an impasse with BT over technical and other issues. It would be necessary to have high level talks with BT to break the stalemate which some might think close to anticompetitive behaviour.

Earnings per share improved almost one and a half times to 27.5p, but excluding exceptionals they rose 12 per cent to 26.4p. A proposed final dividend of 6.92p gives a total 10 per cent ahead at 10p.

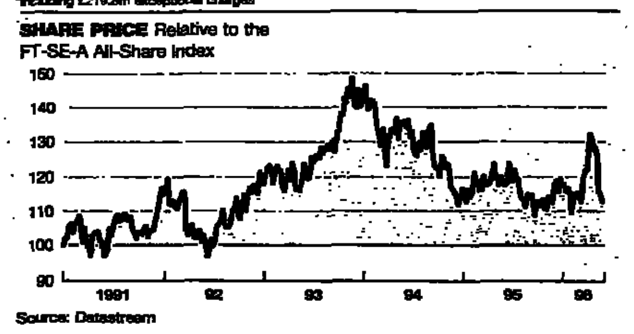
PROFILE

CABLE & WIRELESS

Market value: £9.92bn Share price: 446p -13p

	1992	1993	1994	1995	1996
Turnover	£3.12bn	£3.83bn	£4.70bn	£5.13bn	£5.52bn
Pre-tax profit	£643m	£918m	£1.09bn	£844m	£1.34bn*
Earnings per share	15.1p	23.7p	23.6p	11.5p	27.5p
Dividend per share	6.6p	7.4p	8.3p	9.1p	10.0p

*Including exceptional charges



RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbeycrest	Yr to Mar 1■	60.71	(64.74)	2.52♠	(2.1)	8.5	(6)	2.4	July 12	2.4	3.6	3.6
Acatos & Hutcheson	6 mths to Mar 31	147	(146.7)	3.1	(4.03)	6.9	(6.6)	3.5	July 22	3.5	-	9
Airflow Streamline	Yr to Feb 29	101.5	(89.5)	5.1	(3.72)	37.41	(26.83)	6	July 22	5	9	7
API	6 mths to Mar 30	58.2	(44.1)	4.22	(3.31)	13.59	(10.78)	4.48	July 5	4.07	-	10
Bertram Holdings	Yr to Dec 31	2.97	(2.18)	2.33♥	(4.41♥)	7.41	(16.99)	4大	July 24	4大	4大	5
Boustead	Yr to Mar 31	24.5	(28.3)	4.22	(0.223L)	5.4	(0.5L)	0.65	Oct 1	0.65	1	1
BTG	Yr to Mar 31	20.75	(23.41)	2.74L	(0.37L)	21.96L	(15.75L)	4	Aug	-	-	-
Cable and Wireless	Yr to Mar 31	5,517	(5,133)	1,341♥	(844♠)	27.5	(11.5)	6.92	Sept 2	6.22	10	9.05
City of London PR§	Yr to Mar 31	2.8	(2.98)	0.92	(0.834)	8.63	(7.67)	3.54	July 29	3.15	5.08	4.55
Cranswick	Yr to Mar 31	141.8	(115.8)	3.12	(3.03)	15.8	(14.8)	6.6	Aug 9	6.2	9.2	8.65
Elliott (B)	Yr to Mar 31	118.4	(104)	5.06	(4.25)	10.08†	(8.84)	1.8	Aug 1	1.5	3	2.5
Euromoney	6 mths to Mar 31	52	(53.7)	11.48	(10.39)	31.96	(29.55)	14	June 28	14	-	43.5
Forward	Yr to Jan 31	66.8	(23.8)	7.56	(3.72♥)	43†	(36.2)	4.8	July 3	3.5	8	6
Glenmorangie	Yr to Mar 31	38.8	(35.4)	6.57	(5.71)	39.97	(27.49)	9.25*	July 26	8.15	12	10.65
Jenny Ivy	Yr to Dec 31	1.07	(0.78)	1.07♥	(0.274♠)	5.49†	(0.58)	2.5	July 16	0.5	4.5	0.5
Lofs◊	Yr to Mar 31	45.77	(33.64)	1.85	(8.41)	0.024	(0.113)	-	-	2.5	7.5	15
Morland	6 mths to Mar 31	37.2	(29.5)	6.1	(4.89)	15.8	(14.5)	3.6	July 12	3.3	-	11.7
Rolfe & Nolan	Yr to Feb 29	17.1	(14.3)	2.52	(1.51)	12.33	(6.7)	3.2	July 16	2.6	4.8	4.0025
Rowe Evans	Yr to Dec 31	8.79	(8.65)	7.25	(5.91)	10.04	(8.3)	4大	Aug 20	3大大	4大	3大大
Southscenes	Yr to Mar 30	28.8	(23.6)	3.38♠	(3.19)	14.62	(13.87)	4.05	Aug 2	3.1	5.81	4.45
Storehouse	Yr to Mar 30★	1,083	(1,078)	109.9♥	(90.8)	17.8	(14.8)	4.2	Aug 8	3.6	7.2	6.3
Videologic	Yr to Mar 31	13.6	(12.2)	7.52L♠	(8.72L♠)	5.4L	(7L)	-	-	-	-	-
Water Hall	Yr to Dec 31	4.72	(11.4)	0.109♠	(2.88L♠)	0.02	(0.86L)	nil	-	nil	nil	nil
Young (H)	6 mths to Mar 31	27.3	(24.9)	1.23	(0.859)	5.5	(3.3)	1.3	July 11	1.2	-	3.9

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Asian Smaller	Sep 20-Mar 31	103.72	(-)	0.294	(-)	0.84	(-)	-	-	-	-	-
Abtrust Emerging Asia☆	6 mths to Mar 31	13.18	(12.37)	0.080L	(0.114L)	1.95L	(2.78L)	-	-	-	-	0.5
Schroder Asia Pacific	5 mths to Mar 31	114.06	(-)	0.026	(-)	18.55	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ■Comparatives for 14 months. ◊Aim stock. §USM stock. *On A ordinary shares. ★Comparatives restated. ☆US currency. 大Foreign income dividend. 大大Includes 2.75 foreign income dividend.

Videologic cuts losses to £7.5m

By Paul Taylor

Videologic, the specialist multimedia hardware group yesterday reported reduced annual losses in spite of volatile component prices and stock write-downs.

Pre-tax losses fell from £8.72m to £7.52m ($11.4m) in the year to March 31, on sales 11 per cent ahead to £13.6m.

The losses were struck after an exceptional charge of £3.08m (£2m) which included second half charges of £1.75m to cover stock provisions made necessary by a sharp fall in component prices – including memory chips.

"While the rapid turnround in component supplies impacted our stock valuations and forced a stock write-down, actual operating losses were less than half those in the first quarter," said Mr Geoff Shingles, chairman.

The group recently agreed to supply its three-dimensional graphics circuit boards to Compaq Computer, the world largest personal computer manufacturer.

Mr Shingles said: "I am delighted that through our deal with Compaq we are now in a position to start realising the benefits of the considerable development that has gone into our technology business and in particular the Power VR."

Losses per share of 5.4p compared with 7p. The shares closed 3½p lower at 108p.

Cambrio to float valued at £25m

By Clive Cookson, Science Editor

Cambrio, an acquisitive new UK pharmaceutical company, will float next month with a projected capitalisation of £25m ($38m).

Cambrio is the brainchild of Dr Nowell Stebbing, the biotech entrepreneur who steered Chiroscience through its flotation in 1994. He is deputy chairman of Chiroscience, as well as chairman of Axis Genetics and a non-executive director of Therexsys, both of which are privately owned. Dr Stebbing said Cambrio would be "profitable from day one."

Its main operating subsidiary initially will be Penn Pharmaceuticals, a privately owned company based at Tredegar in South Wales. Dr Roger Jones, who has built up Penn over the past 10 years, has agreed to sell it to Cambrio for £10m. He will continue to run Penn and will serve on the Cambrio board.

One Penn special is melatonin, the controversial treatment for jet lag. Another is thalidomide, which is being rehabilitated 30 years after the birth defects tragedy, as an experimental treatment for a variety of diseases from arthritis to cancer.

Another Cambrio subsidiary, Rio Pharmaceuticals, was formed two years ago to research and develop new drugs from plants – starting in the Brazilian rainforest.

The headlines

Cable & Wireless alliance with VEBA creates major force in Europe

New look Mercury back on growth track

Installation of the world's longest submarine cable is underway

Over 1,000 multinational customers choose Cable & Wireless

HONGKONG TELECOM LAUNCHES UNIQUE LOCAL INTERNET SERVICE

NTT link launches new mobile technology in Japan

Partnerships in Singapore, Indonesia and Taiwan strengthen Asia presence

Fibre-optic cable signals new era for Caribbean telecoms

The bottom line

Cable and Wireless plc recorded another year of strong growth across its global business in the year ended March 1996.

Pre-tax profit and earnings per share, excluding exceptional items, rose by 10% and 12% respectively. Dividend for the year increased by 10.5%.

The Cable & Wireless Group is active in over 50 countries and provides international, domestic and mobile communications for residential and business users.

With clear regional focus on Europe, Asia and the US/Caribbean, the Group holds a strong position in some of the world's most rapidly-growing telecommunications markets.

And with an excellent track record of improving services, harnessing new technologies and building long-term partnerships with governments, businesses and customers around the world, Cable & Wireless faces the future with confidence.

FINANCIAL HIGHLIGHTS, YEAR TO 31 MARCH 1996

	1996	1995	% growth
Turnover	**£5,517m**	£5,133m	+7%
Operating profit	**£1,311m**	£1,134m	+16%
Pre-tax profit	**£1,341m**	£844m	+59%
Pre-tax profit excluding exceptional items	**£1,262m**	£1,144m	+10%
Earnings per share	**27.5p**	11.5p	+139%
Earnings per share excluding exceptional items	**26.4p**	23.6p	+12%
Dividend for the year	**10.00p**	9.05p	+10%

Final dividend of 6.92p is payable on 2 September 1996 to Shareholders on the Register at 11 June 1996. If you have any queries as a Cable & Wireless Shareholder, please call us on 0171 315 4455. Copies of the Annual Report & Accounts will be posted to Shareholders on 3 June 1996. **Internet web site number: http://cwix.com/cwplc/**

CABLE & WIRELESS

COMPANIES AND FINANCE: UK

JCB rises to £103m on buoyant exports

By Peter Marsh

Strong export growth was behind a 42 per cent increase in pre-tax profits last year by JC Bamford Excavators, Britain's biggest maker of construction equipment.

The privately owned company had pre-tax profits of £103.4m ($157.2m) in the year to December 31, up from £72.9m last time. Sales were £704.6m, up 25 per cent on 1994's £564.1m.

The sales growth came exclusively from higher exports – which account for nearly 70 per cent of sales. Exports rose to £478.7m in 1995, up 42 per cent on 1994's £337.5m, while UK sales were static at £225.9m. About half the exports were to continental Europe and about a quarter to North America.

Sir Anthony Bamford, chairman, forecast another "positive year". It had started with UK demand "down a bit" but with export markets holding up.

The key financial ratios for the company, particularly return on sales, which in 1995 came to 14.7 per cent, would stay at a similar level in 1996.

A specific reason for the company's performance was JCB's increasing ability to push new products through its development pipeline quickly, he said.

"Of our total turnover in 1995, about £180m, or 25 per cent, came from products which five years ago did not exist," he said. The percentage figure was "substantially above" the comparable one for 1991, before new product development procedures began.

The average number of employees last year was 3,163, up from 2,851. Of those, roughly 2,800 are in Britain. Under a profit related pay scheme, all JCB's employees are receiving a tax-free bonus of about £1,150 for their contribution to the company's performance in 1995.

JCB last year started a £132m, four-year investment programme intended to boost production from its main factories, all of which are in Britain. Last year it made 22,056 excavators and construction machines, up from 18,025 in 1994. Sir Anthony said JCB was "on the way" to making 30,000 machines a year by 2000.

The company is considering a plan to double its output of engine transmissions from its plant in Wrexham, north Wales, in a move which could lead to an extra 300 jobs.

JCB is also considering building the possible construction of a tractor plant building, probably close to the five of its six main manufacturing sites which are based in Staffordshire. This new factory is to meet demand for a new range of tractors which can travel at 50 mph, twice the speed of conventional machines.

Allied Domecq plans to use Russian milk in its new £20m ice cream factory within the year

To Russia with ice cream

Allied Domecq, the drinks and retailing group, has opened a £20m ($30m) ice cream factory in Moscow intended to be the flagship of its Russian activities in fast food and spirits.

"This is a country we've really targeted," said Mr Tony Hales, chief executive.

The company is aiming for 10 per cent of the $1bn a year ice cream market. It will soon open its first Dunkin' Donuts and second franchised John Bull pub in the Russian capital. On the drinks side, Ballantine's Scotch whisky, Beefeater gin and Souza tequila "are having a wonderful year," Mr Hales said.

Allied Domecq has already established fast food and pub outlets in Poland, Hungary and the Czech Republic. In Bosnia and Slovakia, it is looking for franchised partners to invest in the John Bull theme with beer supplied from the UK.

The ice cream factory, its first in Europe and one of the largest UK investments in Russia, has capped a long struggle by Allied Domecq to establish its Baskin Robbins ice cream brand in the country. In 1988, Baskin opened its first Moscow outlet, beating other western fast food chains to Russia. Its partner, the government, was to provide retail outlets, while Baskin supplied ice cream and retailing skills.

The collapse of communism forced Allied Domecq to renegotiate. It now has a 70-30 joint venture, with local cold store, milk and dairy organisations the minority partner.

The plant increases Moscow's ice cream manufacturing capacity by about 50 per cent. It is operating initially at only 7 per cent of its 8m gallons a year capacity, but sales are rising fast and output could hit an annualised 1m gallons this summer and about 1.5m next year.

Allied Domecq forecasts the plant will achieve operational breakeven next year and cover its financing costs within two years. It imports all its ingredients, but hopes to use local milk within a year.

It sells about a third of its ice cream to hotels and restaurants and the rest through 20 shops and 65 kiosks. Most are in Moscow, with the rest scattered through large Russian cities as franchise operations owned by local entrepreneurs.

Roderick Oram

NEWS DIGEST

US Internet for Glenmorangie

Glenmorangie, which yesterday reported a 15 per cent rise in profits, said it was aiming to attract younger whisky drinkers.

Mr Peter Darbyshire, managing director, said the group had been the first to offer a tour of the Tain distillery on the Internet. It was attracting between 4,000 and 5,000 hits a week. This summer it would also start to sell whisky through the Internet in the US, where the technology was ahead of Europe.

Pre-tax profits for the year to March 31 rose to £6.57m ($9.98m) against £5.71m. Sales grew from £35.4m to £38.3m.

The group, which recently changed its name from Macdonald Martin Distilleries, lifted volume sales 21 per cent to 608,000 bottled cases of whisky. Malts were 20 per cent ahead at 215,000 cases, and blends grew 25 per cent to 360,000 cases.

Mr Darbyshire said the whisky industry had been complacent in the past about attracting younger customers. The group was looking at innovations such as the launch of three different 12-year-old Glenmorangie malts aimed partly at recruiting female drinkers.

Last year Glenmorangie sales were 55 per cent ahead in the US, against 35 per cent growth for whisky sales as a whole. In the UK Glenmorangie grew by 6 per cent – double the market growth.

Half the blended business was own-label, but the group was aiming at the premium end of the market. *David Blackwell*

Disposal gain lifts Euromoney

A £1.5m profit on the sale of its lossmaking seminar business allowed Euromoney Publications, the publishing, training and exhibitions group, to report a 10.6 per cent increase in first-half profits yesterday.

The company, in which Associated Newspapers has a 70 per cent stake, saw pre-tax profits increase from £10.4m to £11.5m ($17.5m) on sales for continuing operations of £44.9m (£39.8m) – including £2m from acquisitions – in the six months to March 31.

Mr Padraic Fallon, chairman, said profits rose in spite of a £366,000 loss at AIC, the Australian seminars business, which was sold to its management for £6.9m last December.

Excluding the unflattering effects of AIC, profits on continuing operations rose from £7.81m to £9.1m. Of that increase, £500,000 was contributed by acquisitions.

Euromoney's international financial publishing operations again represented the bulk of the operating profits with increased contributions of £4.79m (£3.79m).

"Euroweek, Asiamoney, Petroleum Economist, our legal publications and MedAd News all had record first half results," said Mr Fallon. "Euromoney, Latin Finance and Financial Training, however, made less than in the first half of last year."

He also hinted at further acquisitions and said the group had decided to spend £9.5m to lifting its stake in subsidiaries and associated companies. The move is expected to be funded largely from its £34m cash pile.

The restructuring of titles such as Asia Law & Practice and Century House should pay off in the second half, when further growth in financial publishing, training and conferences is expected to lift full-year profits to about £23m. *Tim Burt*

Rolfe & Nolan advances 66%

A much reduced loss from its US operations helped Rolfe & Nolan, the derivatives and treasury management systems and services provider, lift pre-tax profits 66 per cent in the year to February 29. There were record trading volumes in London and Milan, Mr Tim Hearley, chairman, said, which had continued into the current year.

The profit advance, to £2.52m (£1.51m), was on turnover up 20 per cent to £17.1m. The US deficit was cut from £259,000 to £142,000.

Mr Hearley said there had been continued investment in Lighthouse, its product for trading in Treasury and OTC derivatives.

Inez lifts African Gold

African Gold, the gold mining and mineral exploration group which owns the Inez gold mine in Zimbabwe, achieved a jump in pre-tax profits from £22,446 to £374,905 in the year to March. The result included an exceptional £64,871 relating to the cost of its Aim listing last September.

All the profits were generated by Inez, acquired last July, Mr John Teeling, chairman, said. An expansion plan would increase monthly production there to 900 ounces, expected to come on stream in July.

The Beehive project, 70km from Inez, was expected to come into production next year.

URUGUAY

Measured pace may not be enough

Although the sense of a role in the global market is emerging, political decision-making is still moving slowly, says Stephen Fidler

View down Avenida Libertador towards the parliament building in Montevideo, the Uruguayan capital — Tony Morrison

Since winning recognition as an independent state in 1828, Uruguay has been buffeted by Argentina and Brazil, its two big neighbours.

When Argentina last year plunged into recession after Mexico's financial crisis, Uruguay could not avoid doing the same. The economy shrank 2.5 per cent in 1995 after nine years of growth. When this month Brazil raised obstacles to textile imports to protect its industry from Chinese competition, Uruguay's own textile sector was threatened. However, while Uruguay's protests over the issue dominated the Montevideo newspapers, it hardly surfaced in the Brazilian media.

Uruguay's exposure to the economic fortunes of Brazil and Argentina has been heightened since it joined its neighbours and Paraguay in the Mercosur customs union. Uruguay had little choice but to join Mercosur, but the trade grouping which brings together more than 200m consumers has thrown into relief some of the enormous challenges facing this country of 3.2m people. At the same time, Uruguay has had to come to grips with a large state apparatus whose need for finance has been growing unsustainably.

What has emerged is a language of economic and political reform and of the global marketplace that is new to the country. "Uruguay has to specialise in the areas where it is most competitive," President Julio María Sanguinetti says.

He told Uruguayans in March that the country had to "give up public and private inefficiencies, to reform the state, improve the competitiveness of the economy, achieve lower inflation as is now usual in Latin America, to put education at the service of these changes and to adapt political institutions."

Yet, public support for the idea of the state as a provider of jobs and financial security is strong. Uruguay, a world pioneer of the welfare state, has had 90 years of the most generous social safety net in Latin America. There is pride in Uruguay's possession of the highest level of development and the most even distribution of income in Latin America, and there is nostalgia for the past.

There is also self-interest: the state employs one in five of the workforce and 18 per cent of the population is over 60 and in receipt of a state pension. This means an estimated four-fifths of Uruguayans benefit from state largesse. While the left is in retreat in most of Latin America, it can therefore be no surprise that in Uruguay it is making inroads into the support of traditional parties.

Every dependant of the state is supported by only 1.4 workers, some of them on the state payroll. This compares with a ratio of the active to passive population of 4:1 40 years ago and more than 3:1 in most industrial countries. Paying for this is a heavy burden for the private sector as it faces intensified regional and global competition.

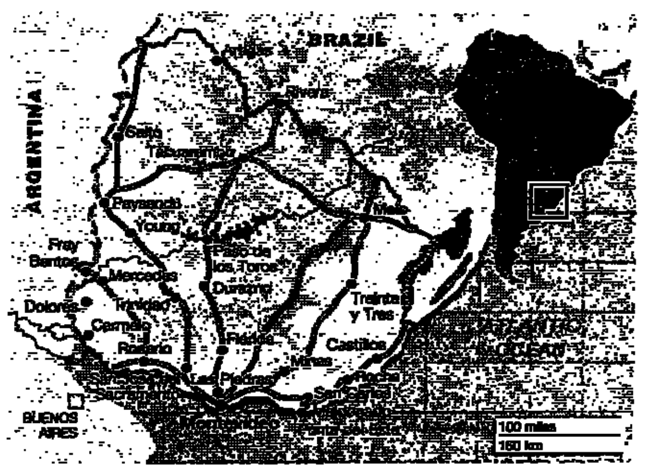
The National Party government of President Luis Alberto Lacalle that assumed office in 1990 brought the economy into better balance, progress which has been continued by the Sanguinetti government.

Under an International Monetary Fund programme, an overall budget deficit of 0.5 per cent is expected this year and a current account shortfall of just 1.6 per cent of GDP. The public sector's foreign debt has fallen to 25 per cent of GDP from 35 per cent in 1991, while official reserves of over $1.7bn cover almost six months' imports.

However, many of the Lacalle administration's more radical solutions for a restructuring of the economy, such as the privatisation of state monopolies, foundered on political or popular opposition.

Mr Sanguinetti's Colorado Party has been able to make more progress, in part because he has the backing of an unusual coalition with the National Party. However, his government's proposals have been less radical than those of its predecessor.

Mr Sanguinetti, whose first term of office from 1985-90 consolidated the transition from a 12-year military dictatorship, makes a virtue of gradualism. "We are less revolutionary and more evolutionary ... I think democratic governments have to try to avoid traumas. It is often more important what governments avoid, rather than what they do," he says.



However, he and his aides decry the idea that Uruguay is an economic backwater. "This country has evolved significantly and has gradually incorporated changes that in other countries have been much more abrupt," says an adviser to the president.

Reforms now common in Latin America, such as the unilateral reduction of import duties and the lifting of foreign exchange controls, began in Uruguay 20 years ago, he says. Reform of the pensions system will reduce the burden on the state and allow for the development of private pension funds that should stimulate the currently inadequate savings rate.

Over the past six years, state monopolies have been dismantled in fishing, insurance and alcohol, and the state airline has been privatised. Private financing methods are being cautiously introduced into state-owned utilities, and private concessions into the important transport sector, including ports. New management techniques are being brought into state enterprises, including the Banco de la República which dominates the banking system.

"We don't believe that all state ownership is bad," says one senior official. He argues for example that Antel, the state telephone company whose privatisation was rejected in a 1992 referendum, has digitalised 85 per cent of the country's telephone system and is in a position to "buy in technology". Furthermore, it and other state enterprises are now, thanks to recent rate increases, in surplus and contributing to the budget.

However, critics argue that the changes will help only at the margin. Though now profitable, state enterprises are inefficient, overstaffed and expensive. If the telephone system is technologically advanced and marginally cheaper than in neighbouring countries, this advantage will not survive the abolishing of the Argentine and Brazilian telephone monopolies. Of Banco de la República, Carlos Garramón, a business consultant in Montevideo, says: "The rest of the system lives in the shadow of its inefficiencies."

Furthermore, the government is still unable to dismiss state employees and privatisation has been further set back by a scandal over the sale by the Lacalle government of Banco Pan de Azúcar, supposedly to a group of Italian banks but apparently to a front company based in Dublin.

Despite this, there are niches for Uruguay. In tradeable goods, the beef and dairy industries remain competitive internationally. The elimination of foot and mouth disease means new markets are opening up to beef products, while Brazil has a huge demand for dairy products. Other agro-industry and food processing industries offer potential growth, while expanding commercial forest areas may spur the development of a pulp and paper industry.

But industry has not been able to generate employment to cover jobs losses in sectors rendered unprofitable by the onslaught of international competition. And some manufacturers complain that their ability to compete has been hurt by the policy of devaluing the peso at a slower rate than inflation. The government this year decided to further slow peso depreciation from 2 per cent to 1.5 per cent a month.

Brazil, big and volatile, has been Uruguay's main market for goods, while Argentina, no less volatile, has been the largest foreign customer for Uruguayan services. But the financial sector has lost ground as its neighbours liberalised their capital markets, while tourism remains dependent on Argentine visitors and so is restricted to a short season.

Unfortunately, one of Uruguay's most successful exports has been Uruguayans. Many people educated to university level have been forced to seek work abroad. Keeping them at home and providing work for the less well-educated requires not just the educational changes proposed by the government but an expansion of private sector employment opportunities.

Many observers believe the government is heading in the right direction to create these opportunities. However, the rest of the world is not standing still, and neither is the region.

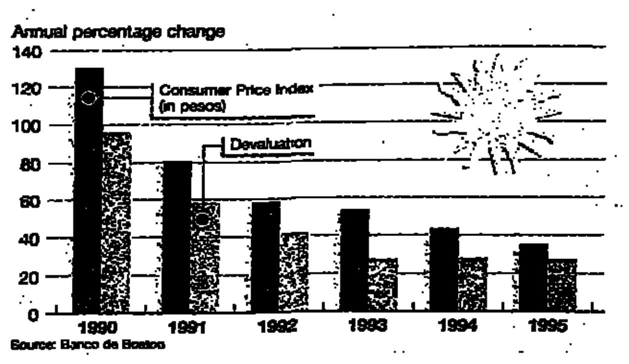
The question is whether Uruguay can handle the competitive challenges to its economy at the country's traditional pace of political decision-making.

■ **Economy:** by Stephen Fidler

Caution still in place

In spite of reforms, a more radical approach is needed to ensure continued growth

Inflation



Source: Banco de Boston

Until interrupted by last year's recession, Uruguay enjoyed nine consecutive years of growth. The average of more than 3 per cent a year was second only to Chile in the region. The record suggests that the gradual nature of Uruguay's economic policy reforms over the past two decades has helped it avoid much of the volatility of neighbouring economies.

However, it is far from clear that Uruguay can continue to generate growth without more radical economic change. The challenge is to increase its low investment and savings rate in an increasingly competitive international environment.

Investment last year was a meagre 11.9 per cent of gross domestic product, while national savings fell below 10 per cent. While affected by recession, and while the quality of investment may be better than in the past because the private sector rather than the government is responsible for most of it, the ratios are poor even by Latin America's undemanding standards.

With unemployment at 12 per cent, too high for political comfort, the economy needs to generate jobs. The capacity for the state to do this is severely circumscribed by a large and inefficient government which employs, in one way or another, one in five of the 1.2m workforce. Public sector spending amounted to almost 35 per cent of gross domestic product in 1994 with social security and transfers to the military pension fund accounting for half.

In the past six years, the government has improved its control over the budget, mainly by reducing spending. The previous government of President Luis Alberto Lacalle helped bring the budget into balance in 1992 from a deficit of 6.6 per cent of GDP in 1989.

It was unable to control spending, however, and the public sector deficit grew to 3.2 per cent in 1994. This was reined in to 1.7 per cent last year by the current government, a creditable achievement in a recession year. This year, Uruguay's standby agreement with the IMF calls for a 0.5 per cent deficit.

With the government oversized and likely to shed jobs, employment must be created by the private sector. Carlos Garramón, president of the business consultancy Promesur, says: "We have to have the capacity to capture investment and generate more space for wealth creation." Uruguay – squeezed between the larger economies of Brazil and Argentina – must provide even more attractive conditions than its neighbours to generate investment, he argues.

It could hardly be said that such conditions are in place. In the absence of income tax, corporate taxes and value added tax at 23 per cent are very high. The generous pensions system also weighs heavily. Uruguay has an ageing population: every 1.4 wage earners carry one dependant. Forty years ago the ratio was 4:1.

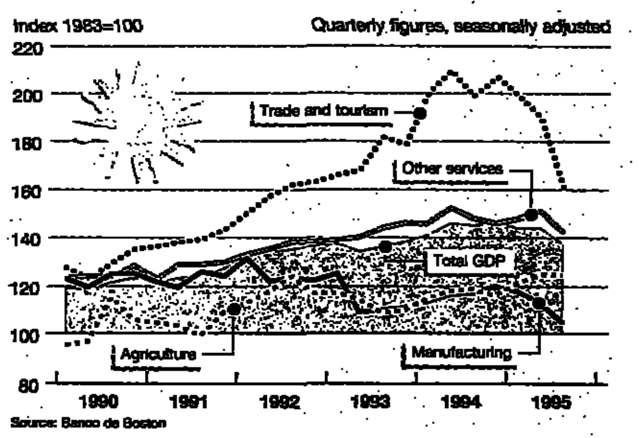
Furthermore, pensioners have been paid 70-75 per cent of their average basic wage over the previous five years, and a 1989 referendum decision fully indexed pensions to wage increases in the economy.

"Spending on social security has grown more than 80 per cent in real terms in the last five years and represents more than 17 per cent of gross domestic product," President Julio Maria Sanguinetti told Congress in March after his first year in office.

"This impedes the allocation of resources for other productive uses while the country loses competitiveness because of a lack of investment and the high cost of its workforce."

One of the successes of his government has been to push through, with the help of the former governing National Party, a pension reform which should cap government spending on pensions at about 15 per cent of GDP. It also creates a private pension fund system that most workers under 40 will be required to join.

Real GDP



Source: Banco de Boston

The legislation among other things raises minimum retirement age for women from 55 to 60, and provides incentives to retire at 65. It will reduce pension outlays by 1.5 per cent of GDP in the medium term, and will help raise private savings.

However, the legislation was a Uruguayan compromise and further changes will be needed to reduce the burden on the state. Furthermore, though the employers' rate of social security contribution dropped from 20.5 to 14.5 per cent, companies must still pay heavily to employ workers.

"For every dollar that goes into the pocket of an employee, it costs the company $2," says one employer in Montevideo. A further raft of legislation gives trade unions great power and makes it almost impossible for companies to lay off workers. This also means it is risky to hire them. "If I had more flexibility to hire and fire, I'd take on more people," he says.

Business also pays high costs for utilities, energy and communications, controlled largely by public sector monopolies.

The government is making inroads into what was once the state's exclusive domain to encourage private investment and increase efficiency.

For example, the telephone company Antel is considering entering revenue sharing arrangements for installing and operating new telephone facilities.

Gas transport and distribution have been opened to private investment, some private investment in electricity and water is being allowed, the public sector monopoly on alcohol production has been removed and private concessions are expected in the ports, road and rail systems.

But while they will help, these changes exhibit typical Uruguayan caution. More radical solutions remain, and will do so for some time, off the political agenda.

■ **Politics:** by David Pilling

Glue for the government

The rise of a mutual enemy, the left-wing Frente Amplio, has united traditional rivals

It is testimony to the political dexterity of President Julio Maria Sanguinetti that he has not only fashioned a coalition from traditionally rival parties, but that he has managed to hold it together through a tough year of budgetary cuts and potentially unpopular reforms.

In forging a working relation between his own Colorado (Red) party and the Blancos (Whites) of former president Luis Alberto Lacalle, Mr Sanguinetti has achieved what his predecessor could not. Mr Lacalle's ambitious market-reform programme was largely frustrated by lack of parliamentary support in the previous 1990-95 administration.

"We are prepared to help the government in parliament to achieve deep change," says Mr Lacalle of the coalition. "The agenda of this government has been written by us. It's a homage to the soundness of our policies."

Colorado officials hotly contest the claim that their government is enacting policies they blocked in opposition. They argue that President Sanguinetti has been more skilful in seeking consensus than Mr Lacalle, whom they accuse of trying to blunderbuss through his free-market vision.

Mr Sanguinetti's cabinet, which assumed power in March 1995, contains several prominent Blanco members, including in the defence, foreign affairs and labour portfolios.

Accommodation between the two traditional parties, bitter rivals for 160 years, does not only stem from a common policy agenda. It has also been prompted by the rise of a mutual enemy, the left-wing Frente Amplio alliance, which won nearly a third of votes in the 1994 general elections.

"The Frente Amplio was born to break with two-party politics, to install a multi-party system," says General Liber Seregni, president


President Julio Maria Sanguinetti: political dexterity

of the alliance until earlier this year. The Frente – by no means a homogeneous force of moderates, socialists, communists and former Tupamaro guerrillas – is united by a common suspicion of market reforms, which it believes threaten the social advances of Latin America's oldest welfare state.

"We've already won the mayorship of Montevideo, which is half the country," says General Seregni of the alliance's steady advance. "By the law of political gravity, we're going to form the national government."

Fear that General Seregni may be right has convinced the Colorados and Blancos, themselves broken up into several distinct and often warring factions, to drop their age-old rivalry.

Historically, this has been based on an almost tribal allegiance to the Whites or Reds, rather than on profound ideological differences.

"If the traditional parties don't prove they can govern, then the Frente Amplio will not only gain support, but it can win the next elections," admits Carlos Perez del Castillo, deputy foreign minister. "We're in the same boat," he says of the coalition. "If it sinks, we'll both go down together."

Notwithstanding their common interest, there is concern that personality clashes and long-standing resentments


Luis Alberto Lacalle: 'save the parties from themselves'


Tabaré Vázquez, the presidential candidate of Frente Amplio

could severely strain the Colorado-Blanco partnership, particularly as 1999 elections approach. The coalition could last "10 days or several years", says Mr Lacalle.

While it does hold, Mr Sanguinetti wants to push through long-debated electoral reform, which could radically alter the political landscape. The current idiosyncratic system, heavily biased towards proportional representation, has atomised political parties and made the country difficult to govern.

Under proposed changes, each political party could only submit one presidential candidate. In the absence of a clear victory, the presidential contest would go to a run-off election.

At present, party primaries are held simultaneously with national elections, often leading to multiple candidates from the same political group. Presidents can thus be elected with only a fraction of the vote, investing them with little authority over a usually divided parliament.

"Uruguay has armed a system that benefits minorities at the cost of political fragmentation," says President Sanguinetti, who believes electoral reform will pass this year. Mr Lacalle agrees that reform is long overdue. "We are for political and electoral reform to save the parties from themselves," he says.

Assuming electoral law is changed – requiring a two-thirds majority in both houses and ratification by popular referendum – it is unclear who will benefit. Frente Amplio fears the Blancos and Colorados would henceforth always unite in a second round, hindering its progress to power. Analysts say the political landscape, historically a mosaic of different factions, might begin to polarise.

The traditional parties, however, lack a candidate to match the charisma of Tabaré Vázquez, the left-wing presidential candidate of Frente Amplio in 1994 who is currently trying to ensure his nomination in 1999.

For the Blancos, Mr Lacalle's image may have suffered because of a judicial inquiry into his administration's sale of the Banco Pan de Azucar, which the opposition claims was far from transparent. For the Colorados, Mr Sanguinetti, also president from 1985-90, is prevented from seeking immediate re-election by the constitution.

Much could change before 1999. In the meantime, Mr Sanguinetti's energies will be centred on keeping the coalition together and on steering legislation through while the going is good.

Of the Blancos' willingness to support that process, Mr Lacalle says: "This hasn't been a blank cheque. But it's the nearest thing you get in politics."

■ **Agriculture:** by David Pilling

Profits found overseas

Farming, the country's economic engine, is also the strength behind its export success

Add up the cows and sheep of Uruguay and they outnumber humans by nearly 10 to one. In spite of decades during which the country tried to force the pace of industrialisation, the economy remains overwhelmingly agricultural.

Some four-fifths of exports are agriculturally based, with beef, hides, wool, rice and milk predominating. Rather than struggling against this, the emphasis is now on turning Uruguay's agricultural heritage to its advantage, adding value wherever possible.

Conaprole, the dairy co-operative, exports not only milk, but also high-quality cheeses and yoghurts. Uruguay's long-grain rice fetches high prices, while there is a push to maximise earnings from beef exports by prising open more lucrative markets.

Even wool, where the international market has been depressed for years, is mainly exported as higher-value tops.

Exporting is becoming easier as the adoption of General Agreement on Tariffs and Trade rules internationally makes agricultural subsidies, especially in Europe and the US, less tenable.

Closer to home, Mercosur is also opening up Brazil's huge market, a process being helped by higher purchasing power in that country following the defeat of hyperinflation. "It's a whole new market out there," says Juan Peyrou of the Office of Agricultural Planning and Policy.

Domestically, several taxes have been eliminated or rationalised with the aim of making farming more profitable. Although farmers complain that credit is tight, loans are cheaper and easier to come by in Uruguay than elsewhere in the region.

Of total land used for farming, 85 per cent is dedicated to stock rearing. Much is being made of recent confirmation that Uruguay is now foot-and-mouth free, a fact that should allow its beef exports, already approaching $500m annually, to fetch higher prices in countries that ban imports from non-sanitary regions.

"We are trying to insert ourselves in other markets, such as the US and Asia where there is a big demand for high-quality meat free of foot-and-mouth disease," says Mr Peyrou. Uruguay intends to play the health card, stressing the low-cholesterol properties of its grass-fed beef which it claims has the same fat content as fish.

The first exports have already gone to the US as part of a 20,000-tonne trial quota that could unlock high-paying markets elsewhere, such as Japan.

Last year, beef production reached 872,000 live tonnes, nearly a third above the average over the previous 30 years. Mr Peyrou says that, because of trading restrictions in the past, farmers knew that high production would lead to domestic over-supply and cause prices to fall. With restrictions removed, they are increasing animal stocks.

Not all is rosy, however. Some slaughterhouses and meatpackers, for years kept going by easy credit and nods from the tax man, have gone to the wall.

Elsewhere the meat industry is restructuring. Frigorifico Canelones, which two years ago was in financial difficulties, raised exports some 80 per cent to $50m last year after an injection of fresh funds and management by Chicago investors.

Exports are also being emphasised in the dairy industry. Conaprole, which vies with rice company Saman as the country's biggest exporter, sells nearly half its production abroad, mainly to Brazil. Natural conditions in Uruguay, where per capita milk consumption is the highest in Latin America, produce very high milk yields, though these could be better still if dairy farms were larger.

Conaprole is upgrading technology throughout its operation and is about to invest in a $14m joint venture with French capital to build a plant for the production of specialised cheeses. These will be exported to Mercosur, and perhaps eventually to Europe. "Our entire investment strategy has the export market as its goal," says Roberto Irazoqui, Conaprole president.

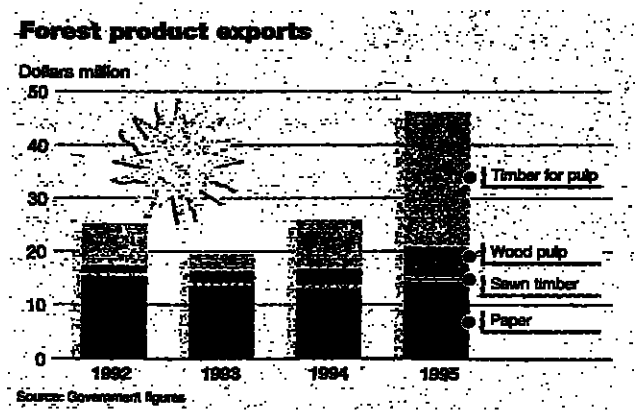
Although in the shadow of Argentina, the region's agricultural powerhouse. Mr Peyrou says Uruguay often matches the efficiency of its southern neighbour, even in Argentina's staple – wheat.

Uruguay has also developed barley and specialised grains to supply the domestic and Brazilian beer industry. Only in sugar, still protected under an exception to Mercosur's generalised tariff regime, is it unable to compete.

The biggest recent innovation is the development from scratch of a forestry industry. A 1987 law, based on a successful Chilean precedent, heavily subsidises tree-planting, mainly of eucalyptus. Ideal growing conditions enable wood to be harvested after only 8-10 years compared with about 25 years in northern Europe and Canada, according to Carlos Gaspari, agriculture minister.

The government has designated 3m hectares as suitable for planting, about a tenth of which is now forested. New planting is proceeding at the impressive rate of 45,000 hectares a year.

Trees are only just reaching maturity, but even so exports grew to $46m last year from $27m in 1994. Mr Gaspari predicts that this figure will skyrocket to $300m by 2002, making forestry one of the country's principal earners of foreign currency. There is even talk of a large-scale pulp plant, with reported interest from international paper companies, although this would require an investment of $500m, enormous by Uruguayan standards.



Source: Government figures


Powerful heritage: some four-fifths of exports are agriculturally based
Tony Morrison

■ **Finance:** by Stephen Fidler

Competition is creeping up

Although liberal, the sector needs modernising if it is to be the region's financial hub

Uruguay has ambitions to become the leading financial centre in Mercosur, the customs union which groups it with Argentina, Brazil and Paraguay. But while the long-standing freedom it has allowed to capital movements has given it a head start over its neighbours, its financial sector is in sore need of modernisation.

Since it eliminated exchange controls in September 1974, Uruguay's traditional role has been as a home of flight capital from Argentina. It is a role it retains. As the Argentine economy was buffeted by ripple effects from the Mexican crisis at the start of 1995, money began flowing once again across the River Plate. Non-resident deposits in Uruguayan banks rose from $2.37bn at the end of 1994 to $3.15bn a year later.

For two decades, Uruguay has had the most liberal financial regime in the region. This and a perception that Uruguay's country risk is lower than that of its neighbours – unlike Brazil and Argentina, it has never confiscated bank deposits – has contributed to financial sector growth and an increase in its importance to the economy. The sector employed 8.8 per cent of the workforce last year, 29 per cent up on the figure for 1984, according to a government survey.

Jorge Ramirez, general manager at the Bank of Boston, says the offshore banking sector has also helped Uruguay avoid the economic volatility of its neighbours "because there has always been enough credit in the market to lubricate the economy".

However, these benefits are threatened by financial liberalisation in Brazil and Argentina and the emergence there of larger and more competitive capital markets.

In countering this competitive threat, Uruguayan banks are hampered by high operating costs. A strong banking union makes firing, and therefore hiring difficult, and has meant that up to 75 per cent of loan interest expenses are swallowed up in salaries and benefits.

"The financial sector has the potential to grow. It's an area where Uruguay has a clear advantage, but it's not a predetermined reality. If it doesn't watch out, it might be displaced by other countries," says Ignacio de Posadas, a National Party senator and former finance minister.

"It has competitive advantages: expertise, a tradition of being honest and serious, good communications and currency convertibility which has been in place for many years. However, it is not a financial sector but a banking sector," he adds.

Mr De Posadas, whose party is part of the governing coalition, and others are working on legislation aimed at correcting this deficiency. It would create a regulatory framework for a capital market in Uruguay, which so far hardly exists, and another bill which will establish rules on investment trusts. Other possible legislation would allow the securitisation of financial assets.

The financial market is also likely to be broadened by the reform of the social security system, which has also prompted the creation of a handful of pension funds, most of them owned in part by foreign banks such as Citibank, Bank of Boston and Banco Santander.

While the absence of income tax will mean the tax advantages of investment in private pensions will be less than in other countries, bankers are forecasting that an initial $70m a year will find its way into the funds, a figure that could rise to $200m annually after a few years.

Most of this money will at first find its way into government bonds, but bankers are hoping to increase the amount of private sector paper available in the market. Some domestic issuers have succeeded in public note issues – they include Fabrica Nacional de Papel and Sudamtex – though most such offerings are issued to parties which are linked to the companies for tax reasons.

Last year, two foreign companies successfully launched issues: Lloyds Leasing in March sold $7.5m of three-year notes at 3 percentage points over Libor and the food company, Parmalat of Brazil, $18m of two-year notes, at a higher margin. Lloyds Bank acted as arrangers for the two issues.

"We are hoping there will be more," says Christopher Golby, the bank's manager in Uruguay. He says a greater range of financial products would be welcomed by most private banks in the country. Because of the offshore sector, the banks have more money on deposit than can profitably be directed into the local economy.

Uruguayan banks have used their plentiful liquidity to finance trade between other countries in the region under the umbrella of the Latin American Association of Integration (Aladi). Under this agreement, central banks stand behind the financings, settling up with their counterparts on a four-monthly basis.

However, bankers say a refusal by Argentina's central bank this year to pay up on financings apparently fraudulently written by failed Argentine banks threatens such finance in the future.

Years of inflation in Uruguayan pesos has made the US dollar the currency of choice in the banking system, contributing to a high dollarisation of the economy. At the end of 1995, 88 per cent of the deposits in the banking system were in dollars.

Banks with majority foreign ownership account for slightly more than a half of bank deposits, and a majority of offshore deposits. One, Banco Comercial, part owned by the Chase-Chemical group, is opening a banking facility in Porto Alegre, Brazil. Two of three banks taken over in the financial crisis of the early 1980s were privatised by the previous government – one of which, the sale of Banco Pan de Azucar – is currently the subject of a judicial investigation.

But the inefficient state-owned Banco de la República and Banco Hipotecario still loom over the banking system, the former taking all the government's deposits, and act as a further impediment to banking competitiveness.

Uruguay's recent agreement with the International Monetary Fund states that improving República's operations is "essential for enhancing the efficiency of financial intermediation".

The first stage of this daunting task has already been taken with the appointment of Booz Allen & Hamilton as consultants.

Moves are expected, the agreement says, "to streamline operations, reduce employment through voluntary early retirement and separation of selected workers, change the salary structure to retain and attract qualified personnel, and incorporate new technologies. Steps will also be taken to improve recovery of overdue debt service payments and improve the quality of the loan portfolio".

Status of pension funds (April 1996)

AFAP	Ownership	Shareholders	Status
Republica	Public	Banco de la Republica (51%) Banco de Prevision Social (37%) Banco de Seguros del Estado (12%)	Approved
Comercial	Private	Banco Comercial	Approved
Santander	Private	Banco Santander	Approved
Integracion	Private	COFAC co-operative CACDU co-operative CAYCU co-operative Surcos insurance	Approved by central bank, auditor-general's decision pending
Capital	Private	Citibank Banco de Montevideo	Minor objections raised, approval pending
Union	Private	Banco de Boston OCA finance company American International Group	Application pending

Source: Busqueda

URUGUAY Business guide

Montevideo – small, in parts picturesque, and by regional standards low on crime – must be one of the easiest places in Latin America for the business visitor to get around. Until, that is, one tries to shoehorn oneself into a taxi.

Fearing assault, the city's cab drivers shield themselves behind a cumbersome perspex barrier, leaving little space for the passenger. While the driver sits in splendid, inaudible isolation in the front - making conversation impossible for those not well versed in sign language - the poor passenger is crammed into a few inches in the back with his nose pressed up against the perspex.

Those with a packed agenda would do well to hire a chauffeur-driven car from the hotel. These cost about $14 an hour, a bargain if you're over 6ft tall. Check a map before splashing out, though. The business centre of Montevideo is fairly small, and it may be possible to walk between appointments. Some of the government offices, however, are much further afield.

Cabs from the airport are more comfortable than city taxis and charge about $30 for the 35-minute drive into town. The Victoria Plaza hotel will usually arrange to have you picked up from the airport free of charge.

Telephone communications are good and, although not cheap, more reasonable than in neighbouring Argentina and Brazil. Most hotels allow the use of international telephone cards, which are blocked in some other Latin American countries. The hotels themselves are improving, but still not at international five-star standards.

The currency is the peso. Beware the "new" peso which is actually old, and from which three zeros must be subtracted. Uruguay has never had hyperinflation, but years of double-digit price rises have taken their toll. Some establishments no longer accept new pesos.

Nightlife in Montevideo is quieter than in nearby Buenos Aires, but there are several good restaurants, mainly offering steak, pasta and seafood. A good place to eat during the day is the market at the old port, where you can sit at one of several pleasant restaurants and watch the world go by. For the evening, the Restoran Del Ferrocarril (Rio Negro 1748) in the defunct British-built railway station is stylish and reasonably priced. There are also some cosy restaurants tucked away in the coastal suburbs of Carrasco and Pocitos.

Day trips from Montevideo for visitors with time on their hands could take in either Colonia or Punta del Este. The former is a quaint town on the Rio de la Plata, ideal for strolling and riverside eating. The latter, reached in two hours by a partially completed toll-road, is a chic resort popular with Argentines in the summer. Outside January and February its beaches are almost empty.

David Pilling

Key facts

Official title:	Republica Oriental del Uruguay (Oriental Republic of Uruguay)
Head of state:	President Julio Maria Sanguinetti (leader of the Colorado Party, from 1 March 1995)
Head of government:	President Julio Maria Sanguinetti
Ruling party:	Colorado Party (from 1 March 1995)
Capital:	Montevideo
Official language:	Spanish
Currency:	Peso Uruguayo (Ur, introduced 1 Mar 1993) = 1,000 new Uruguayan pesos
Exchange rate:	$1 = Ur 8.13
Area:	176,215 sq km
Population:	3.15m (1993)
GDP per capita:	$4,286 (1993)
Labour force:	1.21m (1995)
Unemployment:	12% (1996)

Source: World of Information

Climate
Temperate with mild summers and winters. Summer, from Nov-Mar, is warm with temperatures of 21-30° C. Winter, from Jun-Sep, is cool and rainy with strong winds and temperatures of 10-15° C.

Entry requirements
Passport: Required by all.
Visa: Required by all except nationals of EU countries, US, Canada, Japan, Scandinavian countries, Switzerland, most Latin American countries and certain others.

Health precautions
Advisable: Typhoid and polio vaccinations recommended. Water precautions should be taken, especially outside Montevideo.

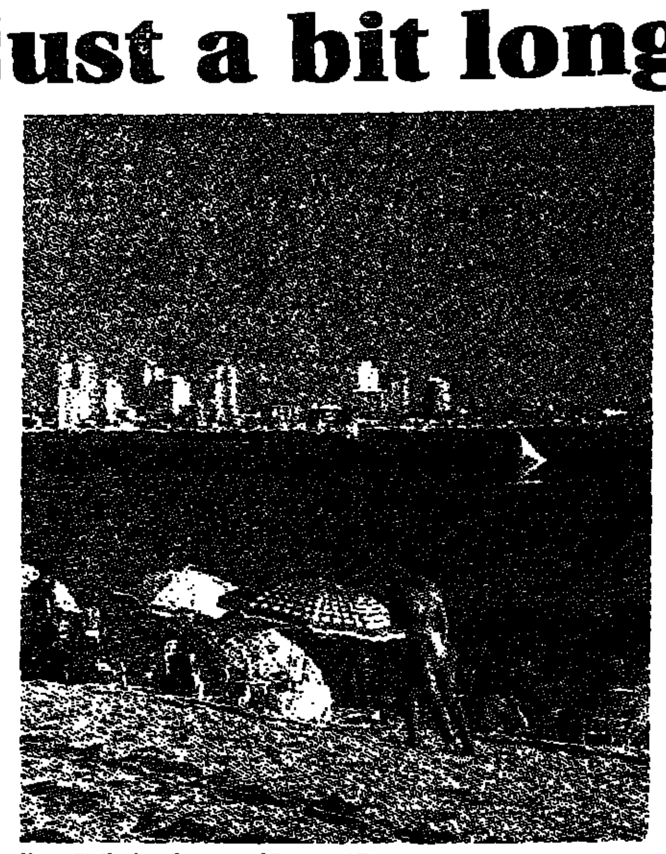
Air access
National airline: Pluna (Primeras Lineas Uruguayas de Navegacion Aerea).
Other airlines: Aerolineas Argentinas, Air France, Iberia, KLM, LAB, Ladeco, LAN-Chile, United Airlines, Varig.
Tax: International departures $11 (Jan 1995)
Intl. airport: Montevideo-Carrasco International (MVD), 19 km from city.

Hotels
Graded into four classes by the National Tourism Bureau: de luxe, 1, 2A, 2B. Should be booked in advance during tourist season. Value-added tax of 20 per cent on hotel bills. Service charge normally included. If not, 10 per cent tip.
- Montevideo (area code 2) Columbia Palace, Rambla Rep. de Francia 473 (tel: 960001 tx: 22524 fax: 960192)
- Internacional, Colonia 823 (tel: 920001/2 tx: 22295 fax: 921242)
- Lancaster, Plaza Cagancha 1334 (tel: 921054 tx: 23822 fax: 981117)
- Victoria Plaza, Plaza Independencia 759 (tel: 914201 tx: 22037 fax: 921628)

■ Tourism

Stay, just a bit longer

A top source of income, the sector is underdeveloped and limited by a short season



Unspoilt: the beach resort of Punta del Este — Tony Morrison

Each year, some 2m visitors, most of them from neighbouring Argentina, flock over the Rio de la Plata to unwind on Uruguay's unspoilt beaches and to join the jet-set at the sophisticated resort of Punta del Este. They bring with them not only dollars – invaluable in helping to close the trade deficit – but also provide the main stimulus for the construction industry, until last year one of the country's most dynamic sectors.

But in May, three months after the bulk of visitors has left, Punta's sky-scrapered centre, a mecca in January and February for sunseekers and socialites, is a ghost-town. Mile upon mile of white sandy beach lies bare, even though temperatures are often in the 70s and most hotels offer cut-price room rates.

Tourism is one of Uruguay's main sources of revenue, providing income of $620m in 1995. But the season is all too short and the sector, in spite of rapid expansion in recent years, still not fully developed.

"There is no tourist industry," says Carlos Garramón, president of the local consultancy Promesur, who argues that the government has failed to play a sufficiently active role in improving the tourist infrastructure.

"What you have here is a hotel sector," he says. Even then, there is no hotel training school and no culture of pleasant service, he says. "The only thing Uruguay has done is to finance hotels through [the state-owned] Banco de la República."

Like the rest of the economy, tourism is dependent on Argentina, from where about four-fifths of visitors come. Argentines tend to travel in the first two months of the year, when soaring temperatures in the southern hemisphere make Buenos Aires unbearable. If the Argentine economy is struggling, as happened last year, tourist numbers decline.

Benito Stern, tourism minister, admits the sector is overly dependent on Argentina. "Argentines are always welcome," he says. "But now we are trying to encourage more visitors from other countries."

Top of the list is Brazil, where Uruguay has mounted a campaign to promote its 200 km of virtually untouched beaches, its pleasant rolling countryside and its relative security. The campaign is bearing fruit, says Mr Stern, with Brazilian arrivals up sharply to 170,000 last year and a target of 250,000 within sight.

Uruguay should also seek to diversify the type of tourism it offers, argues Mr Stern. Apart from day-trippers to the former smuggling town of Colonia – a short ferry ride from Buenos Aires – most visitors head for Punta del Este. Mr Stern would like to promote Uruguay's other attractions, emphasising opportunities for horseback riding, estancia stays, cultural excursions, eco tourism, and even hunting.

Diversification away from Punta, where many Argentines have a summer house or apartment, would also help to raise daily tourist spending. This is currently at a modest $41, a figure Mr Stern would like to double. Tax incentives aimed at encouraging investment in the sector should help to ensure continued development, he says.

Signs of change are emerging. Punta's skyline will be forever altered by construction of the hulking Conrad Hilton, a $160m 600-room casino-hotel complex due to open next year. Hilton plans to push for conference business and to put on big shows with international stars aimed at extending Punta's tourist season all-year-round.

The mayor of Montevideo, Mariano Arana, is determined to beautify the capital, which he says should act as an invitation to discover more of the country. An effort has been made to spruce up avenues and parks, while more ambitious plans await private-sector interest.

The stately and state-owned hotel Carrasco will be refurbished to five-star luxury with private capital. Tenders will be opened in June.

Several other hotels are being upgraded, as Montevideo gears up in expectation of being designated the administrative capital of the Mercosur regional trade bloc.

Indeed, it is Mercosur's 200m people who will for many years provide the backbone of the industry. Uruguay is far from Europe and North America and still too expensive to be a cut-price long-haul destination. The best chance for growth, at least in the medium term, may be to raise Uruguay's profile in Brazil and to attempt the near-impossible with Argentines – persuade them to travel out of season.

David Pilling

■ **The Mercosur customs union:** by David Pilling

Mixed blessings

While the union means access to a bigger market, it also means facing greater competition

When the four-nation Mercosur customs union formally came into being in January 1995, Brazil's huge domestic market of 150m people grew by only a third. For tiny Uruguay, with just 3m people, the addition of Argentines, Brazilians and Paraguayans to its market represented a 70-fold increase in prospective customers.

It also meant potentially 70 times more competition. For a small nation, emerging from decades of protectionism and import substitution, the twin calculation provokes excitement and anxiety. Few dispute that becoming part of the enormous Mercosur block will bring profound economic and social changes.

"It's very difficult when you are small and you are surrounded by such big partners," says former president Luis Alberto Lacalle, who was instrumental in leading his nation into Mercosur. "You must specialise, you must streamline, you must bring down costs and you must work hard," he says.

Some of that restructuring has already occurred. Uruguay began taking gradual steps towards establishing a more open economy as early as the 1970s, increasing competition for industries built up in the shadow of protection. Many companies, particularly in sectors such as chemicals, plastics and domestic appliances, have buckled under the pressure.

The share of manufacturing in GDP – in the mid-80s at nearly 30 per cent – dropped below 20 per cent by the 1993. "Many industries would not or could not reconvert and paid the price," says Ignacio de Posadas, finance minister in the 1990-95 Blanco administration.

As a result the jobless rate has risen from an historic average of 7 per cent to 12 per cent, with the expanding service sector unable to compensate for lost industrial jobs. Mr De Posadas believes that, although unemployment could take years to fall, the most painful period of reconversion is over.

Others disagree. "Industry needs a profound restructuring that Uruguay does not want to face up to," says Carlos Garramón, president of the local Promesur consultancy. "But it's coming anyway."

There are exceptions. Mr Garramón mentions Fanapel, a paper company that has found its Mercosur niche in high-quality products such as coated paper, and is undertaking a $37m expansion. Saman, a rice company, and Conaprole, a dairy co-operative, have also developed aggressive export-led strategies, he says.

"A country like Uruguay can't hope to produce everything, and certainly cannot aspire to production on a mass scale," says President Julio Maria Sanguinetti. "We have to specialise."

Mr Sanguinetti believes the country enjoys several advantages, including its highly educated workforce, which he aims to improve with educational reform. Then there are the genuinely competitive agricultural and agro-industrial, offshore banking and tourist sectors. There is also the potential to expand business at Montevideo port, the region's deepest natural harbour.

> Uruguay must fight to make its location count

Perhaps the country's biggest advantage, says Mr Sanguinetti, is its location. Wedged between Argentina and Brazil, it is well placed to supply the region's two great industrial centres of Sao Paulo and Buenos Aires.

Its ability to tap that potential will depend partly on Mercosur's communications links. A proposed bridge between Argentina and Colonia in Uruguay could become part of a planned motorway axis joining Sao Paulo and Buenos Aires. If Uruguay loses out on these projects, some fear, it could find itself on Mercosur's margins.

With this in mind, the foreign ministry is pressing for Montevideo to be designated the administrative centre of Mercosur – the Brussels of South America. Although there appears to be agreement among fellow members that Uruguay's capital is suited to that role, it is far from certain how quickly Mercosur will develop a supranational bureaucracy.

Mr Garramón agrees that Uruguay must fight to make its location count. But that is not enough, he argues. It must also take urgent steps to lower non-wage labour costs, to reduce inflation and to improve the efficiency of its utility providers. "Uruguay has not realised there is a war going on in Mercosur to attract investment," he says.

That war is not always fought cleanly. Earlier this month, Uruguay was furious to find Brazil had placed non-tariff barriers on textile imports, a sudden change of policy that threatened to damage its sensitive textile sector. Although Montevideo was confident it would resolve that dispute, its officials railed against such shifts which they said damaged the region's reputation as a reliable place to invest.

"For an investor, this type of measure impacts on Uruguay," says Carlos Perez del Castillo, deputy foreign minister. "Why should someone invest here, given that if Mercosur breaks down you would be left with a market of only 3m people?"

Like most other government officials, he believes that such teething problems will ease, and the rules of the game become better established. "You must work on integration every day," says Mr Lacalle. "It's like marriage."

COMMODITIES AND AGRICULTURE

RTZ-CRA pulls out of Russian gold project

By Kenneth Gooding, Mining Correspondent

RTZ-CRA, the world's biggest mining company, is virtually pulling out of Russia.

The Anglo-Australian group confirmed yesterday that it has withdrawn from a project to develop a gold mine in the Chelyabinsk region and that it would close its Moscow office this month.

Only a modest exploration effort would continue in Russia, it said.

The group insisted that it had cancelled the gold project because a mine would not have been viable. The small amount of gold in the ore would not have been enough to cover the mine's capital and operating costs.

RTZ-CRA is understood to have spent about US$3m on a pre-feasibility study after setting up a joint venture in 1993 with a Russian partner, Yuzhuralzoloto. The Russian company had the rights to a gold deposit called Svetlinskoye, near Plast in the Ural mountains.

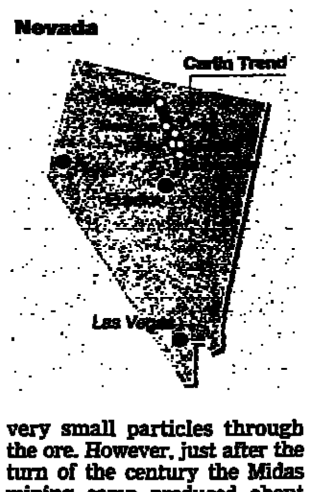
RTZ-CRA was to earn a 55 per cent stake in the venture which initially was intended to produce about 64 tonnes of gold (2.06m troy ounces) over 15 years.

The group reported in December that the potential capital cost of a mine had jumped from US$150m to $180m. Yesterday it said the Svetlinskoye ore had proved difficult to crush and process and so energy costs would have been higher than first expected. Also, because the deposit was in a flat area, a mine would have required an expensive impoundment for the tailings (waste) rather than having a tailings dam.

Before RTZ and CRA merged at the end of last year, CRA stopped exploring for gold Russia. It pulled out of the Khabarovsk region in Russia's Far East in May 1995, saying Russia was losing its priority for the company for several reasons, "including project potential, commercial, safety, environmental and cost".

Carlin Trend find 'world class'

By Kenneth Gooding



Another area with "all the hallmarks of being a world class gold district" has been found in Nevada's Carlin Trend, which for the past ten years has yielded most US gold. This claim was made yesterday by Mr Seymour Schulich, co-founder and chairman of both Franco-Nevada and Euro-Nevada, the Canadian companies that have painstakingly put together 32,000 hectares to form the Midas district, now the second largest land position on the Carlin.

Mr Schulich said this took four years and considerable patience because the Midas district is the only area in the Carlin that produced substantial quantities of gold in the past. Most of the Carlin gold is invisible to the naked eye because it is disseminated in very small particles through the ore. However, just after the turn of the century the Midas mining camp produced about 300,000 troy ounces of gold and 3m ounces of silver.

"Because of that, the land was owned by 38 different old-time miners, and every one believed he had the land where lots more gold would be found," said Mr Schulich after a presentation in London to analysts and investors.

The joint venturers in the past year located a resource of 2.6m ounces, called the Rex-Grande, which he hoped would become a mine in 1999 producing about 200,000 ounces a year. Another 13 mineralised zones had been found so there seemed to be the potential for three or four other mines in the Midas district.

He said the discovery of Midas represented a turning point in the companies' histories. Both Franco-Nevada and Euro-Nevada receive all their revenue in the form of royalty payments and, if Rex-Grande is developed, it would be their first operating mine. Mr Schulich said if other mines were to be developed in the Midas district they would probably be offered as joint ventures.

This is the second time Franco-Nevada has had outstanding good fortune in Nevada. Mr Schulich said it was doing a small amount of exploration work in the US mainly because Franco-Nevada otherwise might have been considered to be a "passive foreign investor" and its shares could not have been bought by some US institutional investors.

Franco-Nevada's biggest stroke of luck came when in 1986 it bought a small royalty on the Carlin Trend. That became the Goldstrike mine, operated by Barrick Gold, producing 2m ounces a year and contributing 60 per cent of Franco-Nevada's revenue. Mr Schulich said: "We paid $2m for the royalty. The mine now generates $2m a week for us."

World wheat crop rise forecast

By Deborah Hargreaves

World wheat output is expected to rise this year by 1m tonnes to 562m tonnes in spite of widespread crop problems in the US, the International Grains Council, forecast yesterday.

Grain prices have been soaring because of poor weather affecting US crops and drought causing problems in Europe, but the council predicted that a rise in grain production in Canada, India and Pakistan would make up for a drop in output in the US.

"Taking account of developments in all major producing countries, it appeared that world output of wheat would recover sufficiently to meet consumption requirements in 1996-1997," the council said yesterday. "But the outlook for coarse grains would remain linked to weather patterns in the US," it said.

Maize futures were firmer yesterday at the Chicago Board of Trade with the September contract up 7 cents in mid-session at $4.08 a bushel. Wheat was down 1 cent at $5.60 - both markets have slipped from their highs of a month ago.

Grain prices have also been driven higher by falling stock levels which are close to post-war lows. The council yesterday revised its forecast for wheat stocks down by another 1m tonnes to 92m tonnes.

Pulp stocks lower than estimated

By Robert Gibbens in Montreal

North American and Scandinavian (Norscan) pulp producers stocks dropped 370,000 tonnes in April, well in excess of an earlier early estimate of 250,000 tonnes.

Analysts say the higher figure may help producers in efforts to impose a US$40 a tonne price increase from June 1.

'Vegetable Challenge' issued to British government

Geoff Tansey on a call at a conference this week to shift emphasis away from subsidising meat and dairy production

The British should grow and eat more vegetables and fruit according to a range of speakers at the "Vegetable Challenge" conference organised by the Guild of Food Writers in London this week.

Increasing home grown vegetable consumption would bring major health benefits and help reduce Britain's £6bn food and drink trade deficit – 63% of which stemmed from products imported from northern European countries and which could be home-produced, according to conference organiser Mr Colin Spencer. Britain's trade deficit in fruit and vegetables (including fresh, prepared and fruit juices) was £3.6bn in 1995, according to figures gathered by Intrastat. Exports were £400m and imports £4bn.

About 300 participants from the retailing and horticultural industries, the organic movement, health groups, academics and food writers attended the conference. It ended with a call from Mr Spencer for a radical shift in government policies away from subsidising meat and dairy products to supporting vegetables and horticulture and a "Campaign for Real Veg".

The consumption target is five portions of vegetables and fruit a day totalling about 14 ounces (400gm), excluding potatoes, said Ms Diana McCrea, head of the food and health research group at the Consumers' Association. Average consumption was around 3 portions a day but more worrying was a decline in vegetable consumption over the past 50 years and a population less active than ever.

Modern molecular biological research was showing that high vegetable and fruit consumption was probably linked to protection from a wide range of diseases, including cancer, heart disease and cataract development, and to protection from DNA damage, said Prof Philip James, director of the Rowett Research Institute in Aberdeen.

Relatively little was known about UK consumer and shopper behaviour and attitudes to vegetables according to Dr David Hughes, Sainsbury professor of Agribusiness Management and Food Marketing at Wye College, University of London. From 1969-1994, UK per capita consumption of potatoes, cabbage, other green vegetables and Brussels sprouts all fell by between two-fifths and two thirds, while mushroom consumption, speciality and exotic fruit and vegetables more than doubled, and cucumbers, leafy salads and carrots increased considerably, he said.

Some two-thirds of vegetables were bought from multiple retailers in 1994-95, with 83 per cent of high income consumers buying at multiple retailers but only 53 per cent of pensioners. Older age groups tended to eat more vegetables and fruit. He attributed declining vegetable consumption to "presenting them in a form less interesting than alternatives, especially to younger consumers".

Encouraging people to eat more vegetables meant recognising that for most people in Britain food had to have entertainment value, argued Mr Robin Pooley, a major potato producer from East Anglia. He also said, however, that there was a growing demand for good, wholesome food for the socially deprived consumer.

Such needs were graphically illustrated by Ms Suzi Leather, a contributor to "Low Income, Food, Nutrition and Health: Strategies for Improvement", a Low Income Project Team report for the Nutrition Task Force published free of charge by the Department of Health. Poor consumers usually knew about the advice to eat more vegetables, she said, their problem was they could not afford them or had no access to them as food retailing had failed to meet the needs of the poor.

Grower Michael Paske argued that commercial horticulture in Britain produced some of the best vegetables in the world with environmental friendly systems and at realistic prices. He saw exports as a way out of the trade deficit and was recently seconded to the Ministry of Agriculture as the horticultural export promoter. As a result of his work a new Horticultural Export Bureau will be set up in the ministry from July this year.

According to Mr Paske, the main problem faced by UK producers was unfair competition from other European Union member states where there were hidden subsidies or "more likely a total lack of enforcement of EU regulations".

Many speakers objected to present production methods. For them, an additional challenge was to produce vegetables in more sustainable systems, preferably organically. Such a change was more likely to come as a series of steps rather than a single shift said Mr Jules Pretty, director of the Sustainable Agriculture Programme at the International Institute for Environment and Development in London. This is more likely to happen as and when the environmental and social costs now treated as external costs in food production were internalised, he argued.

A much greater diversity of vegetable varieties was needed for food security, as well as to provide good tasting products, argued Dr Jeremy Cherfas who runs a seed supply company, Future Foods, and set up the Henry Doubleday Research Association's heritage seed department. He called for a change in the European legislation governing seed registration that would reverse the present approach in which "everything is forbidden that is not permitted" to a freedom-to-grow approach. In the meantime, he suggested gardeners should sell small amounts of seeds to any willing buyers they could find.

The current interest of supermarket chains in having their suppliers use integrated crop management systems was not so much in nature's interest as in their commercial interest, said Ms Caroline Dumonteil, from the Science Policy Research Unit at the University of Sussex. The ICM systems being developed no longer had elimination of chemicals as their goal but still allowed for large numbers of treatments.

While there seemed to be agreement that producing and eating more vegetable was desirable, not everyone agreed how that should be achieved. Dr Tim Lang, professor of food policy at Thames Valley University proposed ten points for change, including more local food production, greater diversity in production, changes in the EU's common agricultural policy subsidy system, and splitting Britain's Ministry of Agriculture into two bodies, one dealing with producers' and another with consumers' interests.

Above all, he wanted to see a "political will" to change.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1574-5	1603-4
Previous	1568.5-4.5	1587-8
High/low	1587/1565	1609/1594
AM Official	1568.5-7.5	1596.5-7.0
Kerb close		1597-8
Open int.	226,969	
Total daily turnover	59,201	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1295-305	1335-40
Previous	1290-300	1330-40
High/low		1345/1340
AM Official	1300-02	1335-40
Kerb close		1335-45
Open int.	4,905	
Total daily turnover	1,400	

■ LEAD ($ per tonne)

Close	851-2	854-5
Previous	842-4	843-4
High/low	850	855/850
AM Official	854-5	852-3
Kerb close		850-1
Open int.	35,918	
Total daily turnover	8,076	

■ NICKEL ($ per tonne)

Close	7795-805	7900-10
Previous	7745-55	7850-60
High/low		8000/7850
AM Official	7790-800	7895-900
Kerb close		7890-900
Open int.	44,434	
Total daily turnover	16,440	

■ TIN ($ per tonne)

Close	6250-60	6285-90
Previous	6220-30	6255-65
High/low	6260	6310/6280
AM Official	6259-6260	6280-85
Kerb close		6295-300
Open int.	16,939	
Total daily turnover	3,995	

■ ZINC, special high grade ($ per tonne)

Close	1035-6	1061-2
Previous	1034.5-5.5	1061.5-2.0
High/low	1034.5	1068/1060
AM Official	1034-4.5	1060-1
Kerb close		1061-2
Open int.	73,019	
Total daily turnover	11,622	

■ COPPER, grade A ($ per tonne)

Close	2573-8	2445-6
Previous	2545-50	2434-6
High/low	2557/2555	2465/2425
AM Official	2557-60	2434-5
Kerb close		2427-8
Open int.	185,345	
Total daily turnover	69,842	

■ LME AM Official £/$ rate: 1.5102
LME Closing £/$ rate: 1.5130

Spot: 1.5135 3 mths: 1.5112 6 mths: 1.5095 9 mths: 1.5081

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	118.90	+1.00	118.90	117.90	675	2,518
Jun	118.95	+0.30	118.00	116.40	115	3,564
Jul	113.65	+0.10	114.60	112.90	7,278	14,126
Aug	111.85	-0.25	113.00	111.50	115	833
Sep	109.75	-0.75	111.30	109.50	919	5,606
Oct	108.75	-0.85	110.40	108.60	25	607
Total					16,271	48,281

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.40-391.80		
Opening	391.20-391.60		
Morning fix	391.35	259.241	484.036
Afternoon fix	391.40	258.691	495.434
Day's High	391.50-391.90		
Day's Low	391.00-391.40		
Previous close	391.20-391.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.61	6 months	4.30
2 months	4.52	12 months	3.97
3 months	4.45		

Silver Fix	p/troy oz.	US cts equiv.
Spot	353.15	533.60
3 months	357.75	539.75
6 months	362.55	546.35
1 year	372.10	558.55

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	258-260
Maple Leaf	402.10-404.65	-
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	391.4	-0.1	-	-	-	-
Jun	391.8	-0.2	392.0	391.3	24,231	60,456
Jul	393.3	-0.2	-	-	-	-
Aug	395.1	-0.2	395.3	394.6	10,574	52,185
Oct	397.8	-0.2	397.7	397.7	790	6,243
Dec	400.5	-0.2	401.0	399.9	895	33,757
Total					38,779	207,498

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	402.0	+1.8	402.2	400.3	2,735	18,909
Oct	405.2	+1.8	405.0	404.0	637	4,758
Jan	408.0	+1.8	-	-	103	1,047
Apr	410.7	+1.8	-	-	5	1,501
Total					3,480	27,225

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	131.60	+1.55	132.50	130.05	1,238	3,172
Sep	132.65	+1.40	133.50	131.25	713	5,291
Dec	133.70	+1.45	-	-	22	724
Total					1,973	9,187

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

May	530.5	-0.6	530.5	530.0	8	30
Jun	531.4	-0.8	-	-	1	3
Jul	533.5	-0.8	536.5	531.5	11,852	86,574
Sep	538.7	-0.8	541.5	537.0	278	14,697
Dec	546.4	-0.8	549.5	545.0	227	9,983
Mar	554.2	-0.8	556.0	555.0	12	3,699
Total					13,678	182,479

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	21.27	-0.13	21.56	21.15	73,427	97,945
Aug	20.26	-0.16	20.50	20.20	28,194	50,229
Sep	19.60	-0.16	19.76	19.54	13,790	37,959
Oct	19.10	-0.19	19.23	19.08	6,124	22,536
Nov	18.75	-0.25	18.91	18.75	3,910	17,807
Dec	18.63	-0.14	18.68	18.57	11,078	33,302
Total					157,954	391,399

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	19.01	-0.05	19.25	18.95	19,825	85,720
Aug	18.35	-0.13	18.59	18.32	9,005	32,844
Sep	17.96	-0.16	18.10	17.92	2,859	12,970
Oct	17.68	-0.12	17.80	17.65	1,410	9,178
Nov	17.48	-0.07	17.55	17.43	813	5,077
Dec	17.28	-0.07	17.35	17.20	702	12,608
Total					34,004	183,442

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	54.50	-0.48	55.45	54.30	11,381	14,220
Jul	53.85	-0.41	54.50	53.60	12,058	20,112
Aug	53.65	-0.04	54.10	53.50	4,420	14,604
Sep	53.85	+0.06	54.15	53.80	1,248	9,297
Oct	54.45	+0.21	54.65	54.45	223	4,876
Nov	54.85	+0.11	55.00	54.80	113	5,341
Total					34,601	180,137

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	169.75	+0.25	170.50	168.50	3,523	14,580
Jul	165.75	+0.50	166.00	164.00	1,972	11,113
Aug	164.00	+0.25	164.25	162.50	550	6,918
Sep	163.75	-	163.75	163.00	168	4,836
Oct	164.00	-	164.00	163.00	149	1,819
Nov	164.25	-	-	161.50	-	1,421
Total					6,896	52,183

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.337	+0.008	2.350	2.325	23,230	18,295
Jul	2.371	-0.004	2.410	2.371	8,469	32,961
Aug	2.380	+0.003	2.425	2.381	3,532	18,740
Sep	2.363	+0.008	2.380	2.350	1,771	16,946
Oct	2.335	+0.010	2.350	2.325	1,774	12,469
Nov	2.355	+0.005	2.370	2.345	673	8,879
Total					42,447	154,405

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	64.20	-0.10	65.20	63.60	17,541	18,712
Jul	63.30	+0.22	64.40	63.00	17,665	21,946
Aug	61.45	+0.07	62.50	61.30	5,516	14,346
Sep	59.45	+0.12	60.10	59.40	851	3,997
Oct	56.50	+0.12	56.70	56.50	295	1,505
Nov	54.80	+0.22	54.90	54.80	1	594
Total					42,128	63,699

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	127.75	-	129.75	129.30	31	22
Jul	131.75	+2.00	132.00	131.25	302	1,665
Sep	115.00	-	115.00	115.00	-	369
Nov	116.15	-0.60	116.75	116.25	165	3,235
Jan	118.25	-0.40	118.25	118.25	10	979
Mar	120.25	-0.40	120.50	120.50	15	185
Total					506	6,575

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	559.50	-3.25	566.00	555.50	20,195	53,448
Sep	558.50	-1.50	565.00	555.00	3,238	17,238
Dec	568.50	+0.50	573.00	563.00	5,117	20,592
Mar	566.00	+6.00	569.00	561.00	348	1,775
May	516.00	+6.00	512.00	508.00	33	150
Jul	447.00	+2.00	450.00	445.00	150	1,608
Total					29,079	94,989

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	493.25	+6.75	494.00	483.00	55,033	148,531
Sep	411.00	+10.00	411.50	400.00	29,241	73,076
Dec	354.75	+11.50	355.00	344.75	49,986	152,776
Mar	359.75	+11.50	360.00	350.00	2,149	18,322
May	361.00	+11.00	361.00	355.00	100	2,947
Jul	360.50	+11.00	361.00	354.50	157	3,847
Total					137,078	405,507

■ BARLEY LCE (£ per tonne)

May	113.00	-	110.00	110.00	6	34
Sep	108.00	-	-	-	-	63
Nov	109.25	-0.55	-	-	-	641
Jan	112.00	-0.25	-	-	-	128
Mar	114.00	-	-	-	-	41
Total					6	913

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	808.00	+11.25	809.00	796.75	31,299	76,438
Aug	807.75	+10.50	809.00	796.50	3,247	13,498
Sep	787.25	+10.50	789.00	780.00	750	7,153
Nov	775.00	+8.25	778.00	767.50	15,729	79,246
Jan	782.00	+8.25	784.00	776.50	462	7,376
Mar	787.50	+8.50	788.50	781.00	272	2,952
Total					51,889	194,894

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	27.09	+0.34	27.13	26.74	6,297	45,651
Aug	27.26	+0.31	27.30	26.90	665	11,717
Sep	27.45	+0.30	27.48	27.12	472	5,871
Oct	27.55	+0.25	27.52	27.30	116	4,446
Dec	27.83	+0.23	27.95	27.50	2,492	20,062
Jan	27.85	+0.22	27.95	27.65	268	1,662
Total					19,724	91,271

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	248.2	+2.8	248.7	245.2	13,806	46,143
Aug	248.1	+2.4	248.7	245.4	2,695	11,576
Sep	246.0	+2.4	247.0	243.7	674	7,268
Oct	243.0	+2.5	243.7	240.6	1,009	3,526
Dec	242.6	+2.5	243.8	240.8	3,720	19,856
Jan	243.0	+2.8	244.2	241.5	324	1,475
Total					22,382	92,014

■ POTATOES LCE (£/tonne)

Jan	225.0	-	-	-	-	-
Nov	82.5	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	124.5	+1.5	125.0	122.5	53	1,102
May	135.0	-6.0	135.0	135.0	-	-
Total					54	1,113

■ FREIGHT (BIFFEX) LCE ($10/index point)

May	1364	-14	1370	1360	43	616
Jun	1268	-12	1268	1255	28	570
Jul	1216	-19	1230	1216	134	2,037
Oct	1335	-	1335	1330	26	1,255
Jan	1345	+6	1345	1345	10	53
Apr	1363	-2	-	-	-	32
Total					241	4,619

	Close	Prev
BFI	1387	1395

FUTURES DATA
All futures data supplied by CMS.

Wool
Auctions in South Africa and New Zealand saw prices there rise almost to the same extent as in Australia last week. The upturn was therefore established more widely, though there is no certainty on the crucial point of deciding whether it will develop into a permanent change in trend or whether it will only be temporary reaction against it. There is still little support coming from the retail end, despite signs of reduced pressure from unsold stocks and a steady call for deliveries. Australian sales resume next week after a temporary break, but all major wool selling seasons in primary markets are drawing to a close. Holiday influences are also beginning to be felt in consuming markets. The New Zealand market indicator this week was 22 cents higher at 465 cents.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1056	+19	1064	1064	-	33
Jul	1104	+19	1104	1084	1,115	20,901
Sep	1124	+15	1125	1108	463	46,063
Dec	1053	+13	1052	1042	791	30,422
Mar	1045	+11	1044	1034	2,892	34,689
May	1055	+11	1056	1047	357	19,454
Total					6,614	164,671

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1380	+17	1383	1357	2,905	27,849
Sep	1395	+14	1397	1378	1,151	19,710
Dec	1418	+18	1420	1398	520	18,139
Mar	1430	+18	1424	1411	18	13,529
May	1440	+8	1420	1420	24	8,065
Jul	1453	+8	-	-	7	5,630
Total					4,616	94,923

■ COCOA (ICCO) (SDR's/tonne)

May 22	Price	Prev. day
Daily	1041.55	1047.63

■ COFFEE LCE ($/tonne)

May	1893	-50	1938	1890	243	880
Jul	1797	-58	1869	1798	8,052	16,184
Sep	1781	-57	1848	1780	1,860	7,219
Nov	1768	-71	1835	1770	384	3,123
Jan	1748	-66	1809	1748	155	1,745
Mar	1723	-62	1745	1725	61	789
Total					10,748	28,820

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	117.85	-2.60	120.90	117.60	9,777	17,216
Sep	117.05	-2.55	119.80	116.80	1,609	6,154
Dec	114.95	-2.10	118.00	114.80	320	2,993
Mar	113.25	-2.00	115.50	113.00	30	989
May	111.75	-2.25	114.75	111.75	19	334
Total					11,739	27,735

■ COFFEE (ICO) (US cents/pound)

May 22		Prev. day
Comp. daily	107.78	111.13
15 day average	112.14	112.41

■ WHITE SUGAR LCE ($/tonne)

Aug	377.5	-0.7	379.0	377.0	985	11,231
Oct	347.2	-0.1	348.5	346.1	373	5,554
Dec	335.4	+0.1	335.7	335.5	91	3,618
Mar	331.0	+0.7	332.5	330.4	339	3,237
May	329.2	+0.8	331.0	329.8	472	1,184
Aug	327.9	+0.3	328.1	328.1	307	296
Total					2,592	25,418

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	11.22	-0.16	11.38	11.21	9,038	83,446
Oct	10.84	-0.02	10.87	10.78	2,402	38,367
Mar	10.81	-0.02	10.83	10.77	2,969	30,447
May	10.75	-0.02	10.76	10.73	959	9,597
Jul	10.68	-0.03	10.68	10.68	370	6,535
Oct	10.63	-0.03	10.66	10.66	90	2,566
Total					15,736	151,398

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	81.59	+0.07	81.74	81.23	3,507	24,516
Oct	81.94	-	82.15	81.70	662	4,414
Dec	81.75	-0.10	82.15	81.60	2,132	28,421
Mar	82.60	-0.20	83.00	82.60	109	3,601
May	83.05	-0.25	83.40	83.00	76	1,600
Jul	83.25	-0.30	83.85	83.65	1	643
Total					6,487	65,511

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	121.20	-0.20	122.85	120.50	214	11,636
Sep	120.30	-0.45	122.20	121.00	58	4,720
Nov	117.65	+0.90	118.00	117.50	48	1,351
Jan	115.00	+0.30	115.75	115.00	29	3,670
Mar	116.75	+0.30	117.50	117.50	-	259
May	118.25	+0.30	-	-	-	150
Total					302	21,802

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 23	May 22	month ago	year ago
2123.9	2112.7	2137.3	2332.7

■ CRB Futures (Base: 1967=100)

May 22	May 21	month ago	year ago
257.36	257.59	N/A	N/A

■ GSCI Spot (Base: 1970=100)

May 22	May 21	month ago	year ago
211.09	209.73	212.35	184.85

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	59.875	-0.025	59.950	59.325	7,675	25,970
Aug	62.625	-0.325	62.950	62.400	5,593	28,617
Oct	64.575	-0.225	64.975	64.450	2,460	21,126
Dec	62.425	-0.200	62.800	62.400	779	11,061
Feb	61.850	+0.025	62.150	61.850	567	9,286
Apr	65.100	+0.100	65.250	64.950	316	2,243
Total					2,269	82,623

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	62.975	-1.500	64.400	62.975	3,677	12,474
Jul	59.300	-1.175	60.400	59.000	3,327	10,031
Aug	55.075	-1.375	56.250	54.950	1,516	6,511
Oct	50.350	-0.950	51.300	49.800	720	5,547
Dec	52.450	-1.125	53.400	52.100	389	5,850
Feb	72.600	-0.900	73.150	72.100	114	1,035
Total					16,019	42,424

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	90.500	-0.050	90.500	88.700	173	481
Jul	86.225	-0.100	88.100	85.125	1,687	5,965
Aug	83.450	+0.350	86.100	81.800	532	2,388
Feb	73.000	-2.000	78.500	73.000	228	563
Mar	75.950	-	78.250	77.950	8	48
May	78.200	-2.000	80.250	80.250	11	56
Total					2,634	9,501

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	93	139	6	24
1600	29	78	41	61
1700	4	38	116	116
■ COPPER (Grade A) LME	**Jun**	**Sep**	**Jun**	**Sep**
2300	-	133	-	63
2400	131	81	37	109
2500	74	48	79	172
■ COFFEE LCE	**Jul**	**Sep**	**Jul**	**Sep**
1900	46	115	149	234
1950	33	101	186	270
2000	26	88	227	307
■ COCOA LCE	**Jul**	**Sep**	**Jul**	**Sep**
875	229	252	-	6
900	204	228	-	9
925	179	205	-	18
■ BRENT CRUDE IPE	**Jul**	**Aug**	**Jul**	**Aug**
1850	82	74	25	67
1900	53	-	44	-
1950	42	-	73	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.35-7.45x	+0.19
Brent Blend (dated)	$19.64-9.66	+0.135
Brent Blend (July)	$19.04-9.10	+0.11
W.T.I.	$21.26-1.29x	-0.175

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	-1
Gas Oil	$176-178	
Heavy Fuel Oil	$87-89	
Naphtha	$188-190	+2
Jet fuel	$193-195	
Diesel	$179-181	

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	10.20-11.00	-0.45

Petroleum Argus. Tel. London (0171) 359 8792

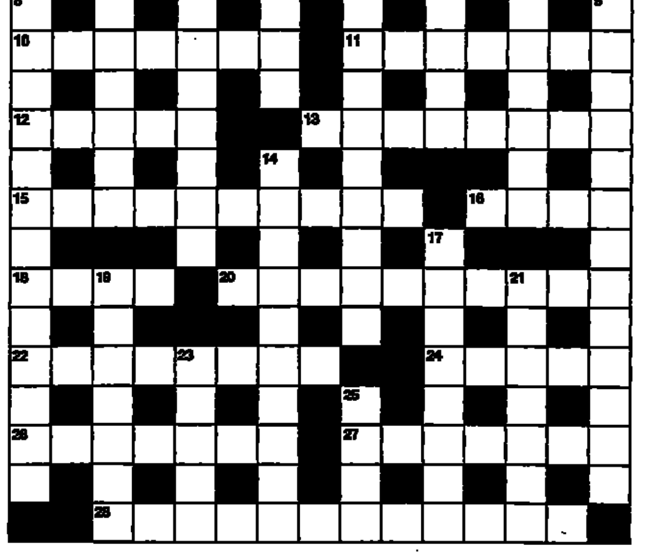
■ OTHER

Gold (per troy oz)♣	$391.60	+0.15
Silver (per troy oz)♣	534.50c	+1.0
Platinum (per troy oz.)	$399.00	+2.25
Palladium (per troy oz.)	$129.75	+1.30
Copper	134.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.51r	-0.01
Tin (New York)	294.50	+3.0
Cattle (live weight)	97.17p	-4.34*
Sheep (live weight)	154.71p	+9.60*
Pigs (live weight)†	123.63p	-1.08*
Lon. day sugar (raw)	$297.1	+2.3
Lon. day sugar (wte)	$397.4	+2.9
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	104.00p	
Rubber (Jul)♥	104.00p	
Rubber (KL RSS No1)	376.00m	+0.5
Coconut Oil (Phil)§	805.0v	
Palm Oil (Malay.)§	$525.0	
Copra (Phil)§	$515.0z	+12.0
Soyabeans (US)	224.5z	
Cotton Outlook'A' index	82.30c	
Wooltops (64s Super)	448p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z May/Jun. x Jul. v Apr/May. y Apr/Jun. w Jun/Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,750 head of pigs sold.

CROSSWORD

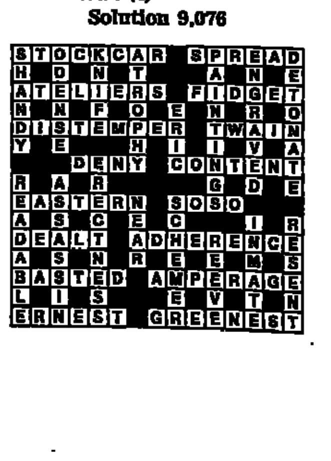
No.9,077 Set by QUARK



ACROSS
1 Somehow tuned for race – a race for wheelers (4,2,6)
10 Student of mathematics has no right to argue (7)
11 Cheap offer to pick up at the pub (7)
12 Picture house in request to get turnover (5)
13 Mere around meadow's providing enjoyment (8)
15 No sense in such a communication? (10)
16 Bird in the stabling-yard (4)
18 Dash – in Morse language (4)
20 House plant A1. Pest on it exterminated (10)
23 Opportunities with pension granted initially all round (8)
24 Had played around, missing class (5)
26 Port holds drunk with short time to be served in Italy? (7)
27 Uncle, say, doesn't start to show high spirits (7)
28 Former union girl? (12)

DOWN
2 Sesame seeds could be having continuous success (2,1,4)
3 Makes alternative arrangements? (8)
4 Always cut top off (4)
5 Revolts of mutinous animals (10)
6 Girl from the manor, maybe (5)
7 Removal is certain after a time (7)
8 We spot the bard after a struggle (won every event) (5,3,5)
9 Agreement governed by reputation (13)
14 Form of defence provided by wrestler? (10)
17 One patch prepared for a monument (8)
19 Mainly help to contain record in germ-free condition (7)
21 Annuity scheme is sound about money (7)
22 Plant's top bits removed to make fibre (5)
25 List of options among prime numbers (4)

Solution 9,076



INTERNATIONAL CAPITAL MARKETS

Treasuries slip in quiet trading

By Lisa Bransten in New York and Samer Iskandar and Richard Adams in London

US Treasury prices slipped in quiet trading early yesterday on the heels of a seventh consecutive drop in weekly first-time unemployment benefit claims.

Near midday, the 30-year bond was off 7/32 at 89 7/16 to yield 6.829 per cent, while the two-year note lost 1/32 at 99¾, yielding 5.994 per cent. The June 30-year Treasury bond future was 3/16 lower at 109 9/32.

The curve between two-year and 30-year yields steepened by 2 basis points to 84 basis points as shorter-term securities outperformed the long end of the market.

The number of initial claims for unemployment benefits fell by 7,000 to 344,000 last week, raising fears of wage-led inflationary pressures.

News that Mr Jeffrey Vinik would step down as manager of the Magellan Fund, the biggest mutual fund in the US, sent a momentary shiver through the market because of the fund's large bond position. Magellan held about $10bn in bonds at the end of March.

Mr John Spinello, a strategist in government securities at Merrill Lynch, attributed yesterday's declines to some profit-taking after the run-up bonds have staged in the past five sessions and to some preparation for new supply. The Treasury will auction $18.75bn in two-year notes and $12.5bn in five-year notes next Wednesday and Thursday respectively.

■ French bonds had a positive session, outperforming German bunds. Matif's June notional future closed at 123.74, up 0.42, after reaching a two-year high of 123.88. In the cash market, the 7¼ per cent OAT due 2006 closed at 105.86, up 0.32, erasing the two basis point yield spread over bunds. Traders said the rally was driven by buying in the futures market, with non-resident investors still reluctant to invest in OATs.

GOVERNMENT BONDS

■ *German bunds also closed* higher. Liffe's June bund future settled at 96.84, up 0.14. Traders said a decisive break above the 97.00 level would provide support for the contract over the medium term. In the cash market, the 10-year benchmark bund closed 0.20 point higher at 98.74.

■ UK gilts had a positive session after the release of moderate retail sales data for April. Liffe's June long gilt future settled at 106 13/32, up 5/32. Earlier gains were partly reversed in the afternoon, when US Treasury weakness spilled into the European markets.

■ Spanish bonds benefited from the positive sentiment. The June 10-year bono future closed at 99.16, up 0.34.

■ Italian bonds rose sharply in *low volumes in the morning*, boosted by the new government's commitment to European monetary union, but closed off their highs on profit taking. Liffe's June BTP future settled at 115.61, up 0.17, after reaching a high of 115.92. In the cash market, the 10-year yield spread over bunds tightened by 2 basis points to 316. *Some traders remain bullish*, but a majority believe most of the outperformance has already taken place. Future tightening of the spread over bunds will depend on the performance of the lira in the foreign exchange market.

■ The New Zealand government yesterday revealed its budget for 1996-97, comprising the issuance of NZ$2bn of government bonds and NZ$300m of inflation-indexed bonds, lower than most economists had forecast.

The Treasury said that if its planned sale of the Forestry Corporation of New Zealand (FCNZ) goes ahead as expected, the bond issuance programme would be halved to NZ$1bn, and any remaining cash used to retire 12-month Treasury bills and repurchase July 1997 bonds.

● *The Deutsche Terminbörse* (DTB) yesterday announced new foreign exchange and domestic products.

A futures contract based on the MDax index (the mid-cap index of 70 medium-sized stocks) will begin trading in September.

A dollar/D-Mark option, the DTB's first foreign exchange *product*, will be launched in January.

Also in September, 20 new stock options will be added to bring the total to 400.

Deutsche Börse to speed trade system

By Andrew Fisher in Frankfurt

Deutsche Börse, the operator of the Frankfurt stock and futures exchanges, will speed up the introduction of its planned computerised trading system so full operation can start at the end of 1998, Mr Werner Seifert, the chairman, said yesterday.

The original plan was for the first phase – replacing the Ibis electronic trading system, which covers 106 blue chips and other shares – to be ready in 1998. The new trading system was to be extended to remaining stocks in 1999.

But the new trading system was "urgently needed" to achieve Deutsche Börse's aims of improving liquidity and efficiency in trading of blue chips and other stocks. "Time to market is important in this strongly competitive market environment."

Mr Seifert said the cost of the new system would be less than the previously estimated DM150m; around DM40m would be spent this year on computer and software preparation.

Bankers have put the likely total cost at up to around DM120m. The trading system is part of an overall investment programme exceeding DM300m.

He declined to say when a final choice of system would be made.

Following last month's decision not to use the French NSC system for the cash market, the choice is between Andersen Consulting and IBM, although Mr Seifert mentioned no names.

Both have systems now used in Frankfurt: Andersen developed the system for the Deutsche Terminbörse (DTB), the futures and options exchange, and IBM produced the Boss order-routeing system.

Cades poised for launch of two-tranche FFr25bn issue

By Antonia Sharpe and Conner Middelmann

Cades, the French governmental institution created to manage the accumulated debts of the country's social security system, is set to launch its first *bond issue early next week.*

The domestic offering, which will be arranged by Caisse des Dépôts et Consignations and Société Générale, will raise FFr25bn in two tranches, one with a maturity of 2002 and the other with a maturity of 2007. Each tranche will have a minimum size of FFr10bn.

Syndicate managers said the *price talk on both tranches* was in the region of 6 to 8 basis points over French government bonds. They added that pre-marketing had revealed foreigners were more interested in buying the bonds due 2002 while domestic investors were keener on the longer maturity. Foreign banks which are primary dealers in French government bonds are likely to be included in the syndicate.

Among yesterday's offerings, Canada launched its expected $1bn five-year global bond, priced at a spread of 14 basis points over US Treasuries

INTERNATIONAL BONDS

which compares favourably to the 25-basis-point spread it paid on its five-year global last May. Dealers reported strong demand and Morgan Stanley, joint bookrunner with Goldman Sachs and RBC Dominion Securities, said its book was more than twice subscribed.

In the 10-year dollar sector, Japan Highway is seen launching $300m of bonds next week, priced in the low- to mid-30s over Treasuries, dealers said.

Also expected shortly is a $500m five-year deal for the Council of Europe – its first dollar benchmark eurobond. Merrill Lynch and SBC Warburg are likely to lead the deal, which is expected to be priced at a spread in the high teens to low twenties over Treasuries.

Frequent-borrower Sweden tapped the euro-guilder market, issuing Fl 300m of five-year bonds yielding 6 basis points over the interpolated curve. Lead manager ABN Amro said the offering was aimed at retail investors who are keen on five-year paper because it offers a higher coupon than bank deposits.

Elsewhere, Goldman Sachs is thought to be arranging a Y100bn five-year convertible for Sumitomo Bank, which could emerge as early as today provided the necessary approvals are granted.

Goldman will be sole bookrunner and lead manager while Daiwa and Sumitomo will be joint leads.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Her Majesty in right of Canada	1bn	6.50#	99.832R	May 2001	0.25R	+14(WI 5yr)	Goldman/M Stanley/RBC
Republic of Colombia(a)	100	8.00	99.776R	Jun 2001	0.625R	+150(WI 5yr)	Salomon/SBC Warburg
Republic of Turkey(b)	100	8.25#	99.896R	Jun 1999	0.75R	+210(6⅝%-99)	JP Morgan Secs/UBS
Banco BCN Barclays(c)	50	9.50#	99.59R	Jul 2004	1.00R	+340(6¾%-99)	Barclays de Zoete Wedd
YEN							
Republic of Argentina(d,s)★	40bn	5.50	100.00R	Mar 2001	0.875R	-	Nikko Europe
Sumitomo Realty & Dev Co(s)★	20bn	2.90	100.225	Jul 2001	0.275	-	Yamaichi Intl(Europe)
Sumitomo Realty & Dev Co(s)★	10bn	2.55	100.20	Jul 2001	0.225	-	Yamaichi Intl(Europe)
Sumitomo Realty & Dev Co(e)★	10bn	3.15	100.50R	Jun 2002	0.50R	-	Daiwa Europe
SWISS FRANCS							
Dresdner Finance	100	2.25	95.10	Jun 2001	2.00	-	Swiss Bank Corp
STERLING							
BFCE‡	100	(f)	99.77	Jun 2001	0.175	-	PaineWebber Intl(UK)
GUILDERS							
Kingdom of Sweden(s)	300	5.375	99.556R	Dec 2001	0.25R	+15(8¾%-01)	ABN Amro Hoare Govett
FRENCH FRANCS							
Dean Witter Discover & Co	1bn	6.875	99.584R	Jun 2006	0.425R	+52(7¼%-06)	Morgan Stanley
ITALIAN LIRE							
European Investment Bank(g)	300bn	8.60	101.205	Jun 1999	1.25	-	BNL/Credito/San Paolo
WestLB Finance Curaçao(h)	200bn	8.50	100.815	Jun 1999	1.375	-	Cariplo/Monte dei Paschi
CANADIAN DOLLARS							
Bell Canada	150	7.25	99.80R	Jun 2001	0.30R	+30(7½%-01)	CIBC Wood Gundy
ECU							
Kredietbank Intl Finance	55	(j)	101.60	Jun 2002	1.875	-	Kredietbank Intl Group
DANISH KRONER							
Finance for Danish Industry	500	5.375	99.40	Jun 2000	1.625	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) $300m launched 22/5/96 was increased to $400m. b) $400m launched 22/5/96 was increased to $500m. c) Callable and puttable on 4/6/99 at 99¾% and on 4/6/01 at 99⅞%. d) Fungible with Y50bn launched 7/5/96. e) Short 1st & 2nd coupons. f) 3-mth Libor +6¼bp. g) Callable on 17/6/97 and 17/6/98 at par. h) Includes L50bn increase at 100.715%. Callable on 24/6/97 and 98 at par. j) 5¼% to 28/6/99 and 8% thereafter. s) Short 1st coupon.

Brazil pursues plan to swap Brady bonds

By Conner Middelmann in London and Lisa Bransten in New York

As it prepares the launch of its first sterling-denominated eurobond, Brazil continues to develop plans to exchange its outstanding Brady bonds for global bonds.

Visiting London to meet investors, Mr Gustavo Franco, director of international affairs at Brazil's central bank, said the country was considering a deal similar to Mexico's Brady bond swap last month.

"We definitely see this as an interesting area to explore," Mr Franco said yesterday. "It is being discussed in the senate and we expect to have a decision in the course of the next month."

He said the structure of the Mexican deal was originally conceived for Brazil but had faltered because of delays in the senate.

Brazilian authorities need congressional approval to repurchase and retire Brady bonds – securities created out of restructured debt under guidelines developed under Mr Nicholas Brady, former US Treasury Secretary.

Earlier this month, Mexico exchanged $1.75bn of Brady bonds collateralised by zero-coupon Treasury bonds for a 30-year dollar-denominated, uncollateralised global bond. The proceeds from the sale of the collateral were used to retire short-term debt. Mexico intended the swap to meet investor demand for longer-term Mexican risk without the dilutive effects of the collateral.

Mr Franco said that a Brazilian Brady swap might take a different form than the Mexican exchange, but would not elaborate on the details. Some on Wall Street question the need for Brazil to undertake such a swap because some of its Bradys have no underlying collateral and therefore there is already pure Brazilian risk in the market.

However, none of Brazil's longer-term debt is uncollateralised, so such bonds could meet demand for longer-term pure Brazilian risk. Brazil has about $50bn of Brady bonds outstanding, of which only some $17bn are backed by US Treasury bonds.

Brazil's forthcoming sterling issue – £100m of three-year paper – is expected to be launched next Tuesday or Wednesday via HSBC Markets. Price talk is of a yield spread over gilts of 240 to 260 basis points.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.1610	+0.070	8.76	8.77	9.02
Austria		6.125	02/06	97.7200	+0.090	6.44	6.42	6.52
Belgium		7.000	05/06	102.3000	+0.050	6.68	6.69	6.73
Canada *		8.750	12/05	107.9000	+0.650	7.57	7.73	7.84
Denmark		8.000	03/06	104.2400	+0.240	7.37	7.39	7.44
France	BTAN	5.750	03/01	101.0000	+0.250	5.50	5.58	5.76
	OAT	7.250	04/06	105.8600	+0.320	6.43	6.48	6.59
Germany Bund		6.250	04/06	98.7400	+0.200	6.42	6.45	6.46
Ireland		*8.000*	*08/06*	*102.8200*	*+0.080*	*7.58*	*7.63*	*7.90*
Italy		9.500	02/06	100.8700	+0.260	9.36†	9.57	10.17
Japan	No 140	6.600	06/01	119.4001	+0.480	2.32	2.41	1.96
	No 182	3.000	09/05	98.4243	+0.180	3.22	3.32	3.23
Netherlands		6.000	01/06	97.6400	+0.180	6.33	6.33	6.42
Portugal		11.875	02/05	117.2000	+0.010	8.94	9.05	9.16
Spain		8.800	04/06	97.9600	+0.340	9.10	9.20	9.36
Sweden		6.000	02/05	84.8490	−0.270	8.53	8.41	8.39
UK Gilts		8.000	12/00	102-09	+3/32	7.39	7.42	7.46
		7.500	12/06	96-08	+4/32	8.03	8.04	8.09
		9.000	10/08	106-22	+10/32	8.13	8.17	8.19
US Treasury *		6.875	05/06	101-20	+10/32	6.65	6.69	6.50
		6.000	02/26	89-11	+12/32	6.84	6.90	6.81
ECU (French Govt)		7.500	04/05	104.0600	+0.280	6.87	6.90	7.01

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.06	Two year	6.01
Prime rate	8¼	Two month	5.08	Three year	6.20
Broker loan rate	7	Three month	5.16	Five year	6.40
Fed.funds	5¼	Six month	5.31	10-year	6.64
Fed.funds at intervention	-	One year	5.54	30-year	6.84

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.60	123.74	+0.42	123.88	123.56	138,568	155,961
Sep	122.12	122.24	+0.40	122.40	122.10	2,445	14,571
Dec	120.88	121.00	+0.40	121.00	120.88	227	6,144

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
120	-	-	-	0.01	-	0.34
121	-	1.50	-	0.01	0.14	0.50
122	1.77	-	1.35	0.02	0.28	0.78
123	0.81	0.37	0.83	0.08	-	1.14
124	0.16	0.13	0.47	0.43	-	-

Est. vol. total, Calls 19,877 Puts 24,687. Previous day's open int., Calls 149,028 Puts 186,712.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.00	96.84	+0.14	97.05	96.73	137308	154023
Sep	96.12	95.94	+0.14	96.12	95.93	6753	42759

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9650	0.34	0.30	0.57	0.76	0	0.86	1.13	1.32
9700	0	0.16	0.39	0.57	0.16	1.22	1.45	1.63
9750	0	0.08	0.26	0.41	0.66	1.64	1.82	1.97

Est. vol. total, Calls 22977 Puts 17650. Previous day's open int., Calls 259478 Puts 210258

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.70	115.61	+0.17	115.92	115.50	38433	60276
Sep	115.20	114.98	+0.18	115.20	114.95	1578	8098

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11450	2.05	2.50	1.57	2.65
11500	1.78	2.27	1.80	2.92
11550	1.54	2.05	2.06	3.20

Est. vol. total, Calls 4861 Puts 2245. Previous day's open int., Calls 20896 Puts 21167

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.16	99.16	+0.34	99.22	98.91	48,683	59,310
Sep	98.61	98.60	+0.25	98.65	98.53	548	1,485

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-15	106-13	+0-05	106-22	106-08	51248	97536
Sep	105-19	105-14	+0-05	105-19	105-12	13194	31953

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
106	0-26	0-38	1-01	1-18	0	1-10	1-37	1-54
107	0	0-18	0-42	0-56	0-38	1-54	2-14	2-28
108	0	0-07	0-22	0-37	1-38	2-43	2-58	3-09

Est. vol. total, Calls 2420 Puts 927. Previous day's open int., Calls 46500 Puts 48424

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	91.38	91.40	+0.26	91.52	91.20	2,824	6,287
Sep	90.96	90.96	+0.26	90.98	90.98	685	20

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110-04	110-05	+0-08	110-13	110-01	263,809	331,957
Sep	109-19	109-21	+0-02	109-27	109-17	51,803	76,143
Dec	109-03	109-04	+0-02	109-09	109-00	1,970	8,190

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	119.57	-	-	119.64	119.53	1517	0
Sep	118.50	-	-	118.60	118.47	2783	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu May 23	Day's change %	Wed May 22	Accrued interest	xd adj. ytd		Low coupon yield May 23	May 22	Yr. ago	Medium coupon yield May 23	May 22	Yr. ago	High coupon yield May 23	May 22	Yr. ago
1 Up to 5 years (22)	121.48	0.10	121.37	2.33	3.78	5 yrs	7.48	7.51	7.65	7.52	7.56	7.73	7.62	7.65	7.84
2 5-15 years (19)	145.72	0.15	145.50	2.72	4.09	15 yrs	8.22	8.23	7.87	8.22	8.25	7.92	8.32	8.34	8.15
3 Over 15 years (9)	161.04	0.23	160.67	4.10	3.48	20 yrs	8.30	8.31	7.87	8.29	8.31	7.93	8.37	8.38	8.08
4 Irredeemables (6)	180.15	0.11	179.96	0.90	6.12	Irred.†	8.35	8.36	7.90						
5 All stocks (56)	141.29	0.15	141.09	2.83	3.92										

Index-linked							Inflation 5% May 23	May 22	Yr. ago	Inflation 10% May 23	May 22	Yr. ago
6 Up to 5 years (1)	196.26	0.00	196.26	0.66	4.43	Up to 5 yrs	2.84	2.83	3.00	1.35	1.34	1.43
7 Over 5 years (11)	185.86	0.07	185.72	1.18	1.81	Over 5 yrs	3.82	3.82	3.51	3.60	3.60	3.31
8 All stocks (12)	185.97	0.07	185.83	1.17	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 23	May 22	May 21	May 20	May 17	Yr ago	High*	Low*
Govt. Secs. (UK)	92.35	92.29	92.65	92.53	92.53	94.60	96.34	91.59
Fixed Interest	112.09	112.10	112.20	112.32	111.69	113.88	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 22	May 21	May 20	May 17	May 16
Gilt Edged bargains	92.7	126.1	97.8	83.8	94.6
5-day average	98.2	103.5	92.2	89.7	93.3

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	0.92	6.04	218[illegible]	—	218[illegible]	210
Conversion 10pc 1996	9.82	6.01	101[illegible]	—	104[illegible]	101[illegible]
Treas 13¼pc 1997‡‡	12.68	5.97	104[illegible]	—	109[illegible]	104[illegible]
Exch 10½pc 1997	10.18	6.01	103[illegible]	[illegible]	105[illegible]	103[illegible]
Treas Cnv 7pc 1997‡‡	6.95	6.28	100[illegible]	[illegible]	101[illegible]	98[illegible]
Treas 8¾pc 1997‡‡	8.51	6.32	102[illegible]	—	104[illegible]	101[illegible]
Exch 15pc 1997	13.43	6.28	111[illegible]	[illegible]	117[illegible]	111[illegible]
Exch 9¾pc 1998	9.30	6.57	104[illegible]	[illegible]	107[illegible]	104[illegible]
Treas 7¼pc 2006‡‡	7.73	8.03	96[illegible]	[illegible]	101[illegible]	94[illegible]
Treas 7¾pc 2006‡‡	7.93	8.06	97[illegible]	[illegible]	103[illegible]	94[illegible]
Treas 8pc 2002-6‡‡	8.02	8.06	99¾	[illegible]	104[illegible]	95[illegible]
Treas 11¾pc 2003-7	9.83	7.90	119[illegible]	[illegible]	125[illegible]	117[illegible]
Treas 8½pc 2007‡‡	8.26	8.10	102[illegible]	[illegible]	108[illegible]	99[illegible]
Treas 13½pc 2004-8	10.26	7.98	131[illegible]	[illegible]	138[illegible]	129[illegible]
Treas 9pc 2008‡‡	8.44	8.12	106[illegible]	[illegible]	112[illegible]	103½
Treas 8pc 2009	8.11	8.16	98[illegible]	[illegible]	104[illegible]	95[illegible]
[illegible]						

Index-Linked Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
4⅝pc '98‡‡ (135.6)	1.39	2.86	112[illegible]	[illegible]	113[illegible]	110[illegible]
2½pc '01 (78.3)	3.13	3.68	178[illegible]	[illegible]	180[illegible]	173[illegible]
2½pc '03 (78.8)	3.31	3.73	174[illegible]	[illegible]	176[illegible]	169[illegible]
4⅝pc '04‡‡ (135.6)	3.37	3.75	114[illegible]	[illegible]	116[illegible]	112[illegible]
2pc '06 (69.5)	3.47	3.77	182	[illegible]	185[illegible]	176[illegible]
2½pc '09 (78.8)	3.55	3.79	163[illegible]	[illegible]	167[illegible]	159[illegible]
2½pc '11 (74.6)	3.59	3.81	168[illegible]	[illegible]	173[illegible]	165[illegible]
2½pc '13 (89.2)	3.63	3.83	138[illegible]	[illegible]	143	135[illegible]
[illegible]						

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97¼	97⅝	+⅛	7.01
ABN Amro Bank 7¼ 05	1000	100½	100¾	+⅛	7.30
African Dev Bk 7⅜ 23	500	96⅝	97⅛	+¼	7.67
Alberta Province 7⅝ 98	1000	102¾	103	+⅛	6.35
Asian Dev Bank 6¼ 05	750	95¼	95½	+⅛	7.08
[illegible]					
Sweden 8 97	2500	105¾	105⅞	−⅛	3.82
United Kingdom 7¼ 97	5500	104⅝	104¾	−⅛	3.72
Volkswagen Intl Fin 7 03	1000	103	103¼		6.45
World Bank 0 15	2000	30	30⅛		6.34
World Bank 5⅞ 03	3000	99½	99⅝	+⅛	5.95
[illegible]					
Abbey Natl Treasury 8 03 £	1000	99	99¼		8.19
British Land 8⅞ 23 £	150	89⅜	89¾	+¼	10.27
Denmark 6¾ 98 £	800	99½	99¾		6.98
Depfa Finance 7⅛ 03 £	500	93⅞	94	+⅛	8.24
EIB 8 03 £	1000	100⅛	100⅜		7.97
[illegible]					

CURRENCIES AND MONEY

MARKETS REPORT

Dollar ambles towards fresh high for 1996

By Philip Gawith

The dollar yesterday reached its highest level against the D-Mark in 1996, but the quiet nature of the day's trading suggested it was more due to technical factors than any fresh evidence which altered the trading outlook.

The US currency reached an intra-day high of DM1.5475 against the D-Mark before slipping back to finish at DM1.5405, from DM1.5387 on Wednesday. Against the yen it finished at Y106.775, from Y106.95.

It was mostly a day of fairly range-bound trading. Although there were some news developments; such as the breakdown of public sector wage talks in Germany, these did not provide any clear trading direction.

There was little movement on rates in Europe, where the central banks in France, Spain and Sweden left their rates on hold at their regular meetings.

The Italian lira finished unchanged at L1,012 against the D-Mark following a minor disagreement between the central bank governor and finance minister over whether or not the currency was overvalued.

Sterling continued its resilient showing in the face of the beef crisis, closing firmer against the dollar, at $1.5126, from $1.5102, and the D-Mark, at DM2.3301, from DM2.3236.

■ Traders said that the dollar had been driven higher by interbank traders, with little evidence of follow-through buying from customers.

One trader said that the dollar is "still well-wanted, but the professional market is long and it has not moved enough to attract the next set of players."

An example of this category would be US fund managers, who have not hedged their offshore purchases for years on the grounds that the dollar has tended always to weaken.

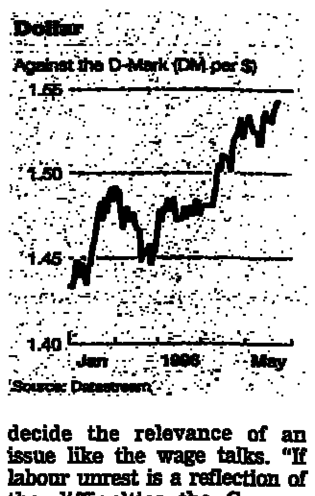
European corporates, on the other hand, he said, were habitual sellers of dollars and could be relied on to sell into any rally.

Two possible catalysts for further dollar strength would be uncertainty surrounding the Russian election, which tends to favour the dollar and harm the D-Mark, or rising US interest rates. A mix of tighter monetary policy in the US compared to Germany, coupled with the US having a relatively easier fiscal policy, ought to favour the dollar.

Indeed, the dollar did rally briefly on news that the Russian deputy justice minister had been assassinated.

Mr Malcolm Barr, economist at Chase in London, said it was difficult for the market to decide the relevance of an issue like the wage talks. "If labour unrest is a reflection of the difficulties the German government is having in getting its fiscal house in order, that may not be a good reason to sell the D-Mark."

He said: "In the absence of a weak D-Mark, it is difficult to see the market getting excited over anything."



Source: Datastream

■ The Ecu has recently added itself to the list of indicators showing greater EMU optimism. After widening to over three per cent early in the year – a sign of greater pessimism about EMU – the discount between the market and theoretical value of the Ecu has shrunk to about 1.2 per cent. One explanation for this trend lies in the belief that the Euro will be a "hard" currency, with fewer constituents than the current Ecu.

But given that Ecu's will be converted 1:1 for Euros, buying Ecu's provides a free option on a harder currency. This reasoning would suggest that the Ecu should trade at a premium to its theoretical value.

■ The latest IDEA survey found respondents slightly more optimistic about the outlook for the dollar, with median two week and two month forecasts rising to DM1.55 and DM1.5625 from DM1.53 and DM1.55.

In terms of positioning, 86 per cent of respondents believe that investors are either over or very over-weight dollars – a factor which may inhibit any further upward rally.

On Sterling, the Labour Party's view towards EMU is believed to be much more positive than the government's, despite shadow chancellor Gordon Brown having stated that the time is not right for sterling to join the ERM.

"This is seen as sterling positive as it would eradicate a large proportion of the risk premium that is associated with sterling assets." For the third successive survey, buying sterling, against the D-Mark, was the most favoured trade.

■ Pound in New York

May 23	—Latest—	— Prev. close —
£ spot	1.5135	1.5095
1 mth	1.5127	1.5077
3 mth	1.5113	1.5063
1 yr	1.5064	1.5011

■ OTHER CURRENCIES

May 23	£	$
Czech Rp	41.7872 - 41.8345	27.6400 - 27.6500
Hungary	228.225 - 228.486	149.600 - 149.700
Iran	4530.00 - 4539.00	3000.00 - 3000.00
Kuwait	0.4537 - 0.4547	0.3000 - 0.3005
Poland	4.0646 - 4.0715	2.6880 - 2.6910
Russia	7574.81 - 7583.16	5009.00 - 5012.00
UAE	5.5546 - 5.5592	3.6726 - 3.6736

POUND SPOT FORWARD AGAINST THE POUND

May 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3954	+0.0391	857 - 050	16.4269	16.3479	16.3641	2.3	16.2891	2.6	-	-	104.7
Belgium	(BFr)	47.9041	+0.1093	611 - 470	47.9820	47.7920	47.7891	2.8	47.5891	2.6	46.5691	2.8	106.6
Denmark	(DKr)	8.9955	+0.0208	906 - 001	9.0147	8.9693	8.9801	2.1	8.9473	2.1	8.804	2.1	107.3
Finland	(FM)	7.7765	+0.0077	693 - 837	7.8090	7.7540	7.7721	0.7	7.184	0.7	-	-	83.0
France	(FFr)	7.8894	+0.018	868 - 919	7.9006	7.8741	7.8753	2.1	7.8474	2.1	7.7145	2.2	108.8
Germany	(DM)	2.3301	+0.0065	288 - 314	2.3363	2.3225	2.3251	2.5	2.3147	2.6	2.2643	2.8	108.0
Greece	(Dr)	369.014	+1.172	841 - 187	369.594	366.057	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9690	-0.0002	681 - 699	0.9725	0.9679	0.9682	1.0	0.9669	0.9	0.9601	0.9	98.6
Italy	(L)	2357.82	+5.11	601 - 962	2361.84	2350.79	2365.17	-4.2	2381.27	-4.0	2433.97	-3.2	78.3
Luxembourg	(LFr)	47.9041	+0.1093	611 - 470	47.9820	47.7920	47.7891	2.6	47.5891	2.6	46.6691	2.6	106.6
Netherlands	(Fl)	2.6061	+0.006	048 - 075	2.6123	2.5985	2.5998	2.9	2.5871	2.9	2.5279	3.0	108.6
Norway	(NKr)	9.8746	+0.0143	688 - 825	9.8975	9.8325	9.8656	1.1	9.8465	1.1	9.8506	1.2	96.2
Portugal	(Es)	239.210	+0.629	064 - 357	239.754	238.524	239.635	-2.1	240.54	-2.2	-	-	94.7
Spain	(Pta)	194.135	+0.451	046 - 224	194.549	193.646	194.445	-1.9	194.94	-1.7	196.595	-1.3	81.3
Sweden	(SKr)	10.3574	+0.0353	471 - 677	10.3676	10.2878	10.3586	-0.1	10.3603	-0.1	10.3625	0.0	88.5
Switzerland	(SFr)	1.9112	+0.0001	099 - 124	1.9169	1.9097	1.905	3.9	1.8922	4.0	1.8345	4.0	110.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.8
Ecu	-	1.2336	+0.001	329 - 348	1.2363	1.2325	1.2329	1.3	1.2293	1.4	1.216	1.4	-
SDR†	-	1.049600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5115	+0.0024	102 - 128	1.5138	1.5073	-	-	-	-	-	-	-
Brazil	(R$)	1.5066	+0.0035	062 - 073	1.5078	1.5000	-	-	-	-	-	-	-
Canada	(C$)	2.0613	+0.0084	603 - 622	2.0624	2.0654	2.0606	0.4	2.077	0.8	2.0680	0.6	83.8
Mexico	(New Peso)	11.1660	+0.0127	555 - 765	11.1774	11.1329	-	-	-	-	-	-	-
USA	($)	1.5126	+0.0024	122 - 130	1.5140	1.5075	1.5118	0.6	1.5102	0.6	1.5052	0.5	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9047	-0.0015	036 - 058	1.9099	1.8965	1.9073	-1.6	1.9123	-1.6	1.9378	-1.7	93.8
Hong Kong	(HK$)	11.7008	+0.0197	969 - 045	11.7108	11.6510	11.6927	0.8	11.6811	0.7	11.6613	0.3	-
India	(Rs)	52.8655	+0.1611	733 - 576	53.2590	52.4870	-	-	-	-	-	-	-
Israel	(Shk)	4.9445	+0.0236	361 - 498	4.9499	4.9190	-	-	-	-	-	-	-
Japan	(Y)	161.508	-0.003	427 - 588	161.590	160.840	160.783	5.4	159.293	5.5	152.878	5.3	137.8
Malaysia	(M$)	3.7702	+0.0049	684 - 719	3.7729	3.7578	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2109	+0.0004	095 - 123	2.2126	2.2074	2.2159	-2.7	2.2254	-2.6	2.2592	-2.2	107.4
Philippines	(Peso)	39.5897	+0.0888	967 - 406	39.8415	39.4957	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6729	+0.0093	712 - 745	5.6761	5.6539	-	-	-	-	-	-	-
Singapore	(S$)	2.1320	+0.0049	307 - 333	2.1335	2.1253	-	-	-	-	-	-	-
South Africa	(R)	6.6025	+0.0295	932 - 118	6.6123	6.5779	-	-	-	-	-	-	-
South Korea	(Won)	1182.17	+2.29	178 - 256	1183.19	1178.34	-	-	-	-	-	-	-
Taiwan	(T$)	41.4332	+0.1464	148 - 517	41.4639	41.2256	-	-	-	-	-	-	-
Thailand	(Bt)	38.2945	+0.0726	768 - 122	38.3220	38.1610	-	-	-	-	-	-	-

† Rates for May 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.8392	+0.0063	357 - 427	10.8690	10.8300	10.8197	2.2	10.7777	2.3	10.5942	2.3	104.6
Belgium	(BFr)	31.6700	+0.021	600 - 800	31.7600	31.6450	31.615	2.1	31.5	2.1	30.96	2.2	106.3
Denmark	(DKr)	5.9470	+0.004	455 - 485	5.9686	5.9419	5.9395	1.5	5.9225	1.6	5.8535	1.6	108.5
Finland	(FM)	4.7445	-0.0026	410 - 480	4.7734	4.7403	4.738	1.6	4.726	1.5	4.6605	1.3	82.3
France	(FFr)	5.2158	+0.0034	155 - 160	5.2370	5.2113	5.2088	1.6	5.1946	1.6	5.1268	1.7	108.3
Germany	(DM)	1.5405	+0.0018	400 - 408	1.5475	1.5390	1.5382	1.8	1.5342	1.9	1.5045	2.3	107.5
Greece	(Dr)	243.960	+0.36	910 - 010	244.930	242.550	245.535	-8.2	248.865	-8.2	262.96	-7.8	66.8
Ireland	(I£)	1.5610	+0.0026	600 - 620	1.5620	1.5525	1.5615	-0.4	1.5624	-0.4	1.5539	0.5	-
Italy	(L)	1558.85	+0.85	840 - 930	1563.75	1557.85	1564.9	-4.7	1576.45	-4.5	1617.35	-3.8	75.7
Luxembourg	(LFr)	31.6700	+0.021	600 - 800	31.7600	31.6450	31.617	2.0	31.5105	2.0	31.05	2.0	106.3
Netherlands	(Fl)	1.7229	+0.0012	224 - 234	1.7298	1.7214	1.7196	2.3	1.7125	2.4	1.6807	2.5	106.3
Norway	(NKr)	6.5943	-0.0013	908 - 978	6.6218	6.5700	6.5913	0.5	6.5858	0.5	6.5463	0.7	97.6
Portugal	(Es)	158.145	+0.16	090 - 200	158.620	158.060	158.45	-2.4	159.05	-2.3	161.195	-1.9	94.6
Spain	(Pta)	128.345	+0.09	320 - 370	128.720	128.310	128.595	-2.3	129.025	-2.1	130.565	-1.7	80.9
Sweden	(SKr)	6.8474	+0.0265	424 - 524	6.8631	6.8150	6.8595	-1.7	6.8789	-1.7	6.9179	-1.0	88.2
Switzerland	(SFr)	1.2635	-0.002	630 - 640	1.2703	1.2629	1.26	3.4	1.2525	3.5	1.219	3.5	110.2
UK	(£)	1.5126	+0.0024	122 - 130	1.5140	1.5075	1.5118	0.6	1.5102	0.6	1.5052	0.5	84.2
Ecu	-	1.2262	+0.0009	258 - 265	1.2268	1.2208	1.2290	-0.7	1.2266	-0.8	1.2374	-0.9	-
SDR†	-	0.69400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	-	997 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9961	+0.0006	960 - 962	0.9963	0.9960	-	-	-	-	-	-	-
Canada	(C$)	1.3760	+0.0033	757 - 762	1.3763	1.3689	1.3758	0.1	1.3751	0.0	1.3759	-0.2	83.3
Mexico	(New Peso)	7.3820	-0.0035	770 - 870	7.3870	7.3760	7.5435	-26.3	7.7265	-18.8	8.492	-28.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2591	-0.003	586 - 596	1.2615	1.2560	1.2611	-1.9	1.2648	-1.7	1.2833	-1.9	95.2
Hong Kong	(HK$)	7.7355	+0.0004	350 - 360	7.7361	7.7350	7.7362	-0.1	7.738	-0.1	7.765	-0.4	-
India	(Rs)	34.9500	+0.05	000 - 000	35.2500	34.8500	35.1	-5.2	35.405	-5.2	36.875	-5.5	-
Israel	(Shk)	3.2689	+0.0103	662 - 715	3.2742	3.2613	-	-	-	-	-	-	-
Japan	(Y)	106.775	-0.175	750 - 800	107.100	106.650	106.33	5.0	105.43	5.0	101.69	4.8	137.9
Malaysia	(M$)	2.4925	-0.0008	920 - 930	2.4965	2.4915	2.4934	-0.4	2.4965	-1.1	2.523	-1.2	-
New Zealand	(NZ$)	1.4618	-0.0026	611 - 622	1.4643	1.4605	1.4647	-2.5	1.4705	-2.4	1.4951	-2.3	-
Philippines	(Peso)	26.1800	+0.015	200 - 400	26.2000	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	503 - 505	3.7505	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4095	+0.001	090 - 100	1.4112	1.4090	1.408	3.0	1.4	2.7	1.3745	2.5	-
South Africa	(R)	4.3650	+0.0125	600 - 700	4.3750	4.3600	4.4125	-13.1	4.5025	-12.6	4.84	-10.9	-
South Korea	(Won)	781.550	+0.25	500 - 600	782.700	781.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.3920	+0.0525	870 - 970	27.3980	27.3400	27.387	-0.2	27.402	-0.1	-	-	-
Thailand	(Bt)	25.3170	+0.007	120 - 220	25.3230	25.3060	25.4157	-4.7	25.6195	-4.8	26.502	-4.7	-

† SDR rate per $ for May 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 22: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3¼	3¼	3¼	3⅜	7.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3⅜	7.00	2.50	-
France	3¾	3$\frac{25}{32}$	3$\frac{13}{16}$	3$\frac{13}{16}$	4	3.70	-	5.60
week ago	3$\frac{13}{16}$	3$\frac{25}{32}$	3$\frac{13}{16}$	3$\frac{13}{16}$	4$\frac{1}{16}$	3.70	-	5.60
Germany	3¼	3⅜	3⅜	3⅜	3⅜	4.50	2.50	3.30
week ago	3¼	3⅜	3¼	3¼	3¾	4.50	2.50	3.30
Ireland	5⅛	5⅛	5¼	5⅜	5¾	-	-	6.25
week ago	5⅛	5$\frac{1}{16}$	5⅛	5⅜	5¾	-	-	6.25
Italy	9⅜	9$\frac{3}{16}$	8¾	8½	8¾	-	9.00	9.25
week ago	9⅜	9$\frac{1}{16}$	8$\frac{13}{16}$	8⅝	8$\frac{13}{16}$	-	9.00	9.25
Netherlands	2$\frac{13}{16}$	2¾	2¾	2¾	2$\frac{7}{8}$	-	3.00	3.30
week ago	2¾	2¾	2¾	2¾	2⅞	-	3.00	3.30
Switzerland	2¼	2⅜	2$\frac{7}{16}$	2$\frac{7}{16}$	2$\frac{11}{16}$	5.00	1.50	-
week ago	2⅜	2⅜	2$\frac{1}{4}$	2$\frac{1}{4}$	2⅜	5.00	1.50	-
US	5¾	5¼	5½	5$\frac{7}{16}$	5¾	-	5.00	-
week ago	5⅜	5¼	5½	5$\frac{7}{16}$	5⅝	-	5.00	-
Japan	$\frac{7}{16}$	$\frac{13}{32}$	½	$\frac{5}{8}$	$\frac{7}{8}$	-	0.50	-
week ago	$\frac{15}{32}$	$\frac{15}{32}$	⅝	¾	1	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5$\frac{11}{32}$	5½	5$\frac{21}{32}$	5¾	-	-	-
week ago	-	5$\frac{11}{32}$	5$\frac{15}{32}$	5⅝	5$\frac{29}{32}$	-	-	-
US Dollar CDs	-	5.01	5.04	5.19	5.51	-	-	-
week ago	-	5.01	5.11	5.24	5.56	-	-	-
ECU Linked Ds	-	4¾	4⅜	4⅜	4¾	-	-	-
week ago	-	4¾	4⅜	4⅜	4$\frac{11}{16}$	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3$\frac{13}{32}$	3¾	-	-	-
week ago	-	3⅜	3⅜	3$\frac{13}{32}$	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3⅛	3⅜ - 3⅛	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{11}{32}$ - 3$\frac{5}{32}$	3$\frac{15}{32}$ - 3$\frac{5}{32}$
Danish Krone	4$\frac{13}{32}$ - 4$\frac{5}{32}$	3$\frac{15}{16}$ - 3$\frac{13}{16}$	3$\frac{15}{16}$ - 3$\frac{13}{16}$	3$\frac{15}{16}$ - 3$\frac{13}{16}$	4$\frac{1}{16}$ - 3⅞	4$\frac{3}{16}$ - 4
D-Mark	3⅜ - 3¼	3$\frac{7}{16}$ - 3$\frac{5}{16}$	3$\frac{13}{32}$ - 3$\frac{5}{16}$	3$\frac{7}{16}$ - 3$\frac{5}{16}$	3$\frac{15}{32}$ - 3$\frac{5}{16}$	3⅜ - 3¼
Dutch Guilder	2¾ - 2⅝	2$\frac{23}{32}$ - 2$\frac{19}{32}$	2$\frac{11}{16}$ - 2$\frac{19}{32}$	2$\frac{23}{32}$ - 2$\frac{19}{32}$	2$\frac{27}{32}$ - 2$\frac{23}{32}$	2$\frac{29}{32}$ - 2$\frac{13}{16}$
French Franc	3$\frac{13}{16}$ - 3$\frac{11}{16}$	3⅞ - 3¾	3$\frac{15}{16}$ - 3¾	3$\frac{29}{32}$ - 3$\frac{13}{16}$	3$\frac{31}{32}$ - 3$\frac{13}{16}$	4$\frac{1}{16}$ - 3$\frac{15}{16}$
Portuguese Esc.	6$\frac{23}{32}$ - 6$\frac{17}{32}$	7$\frac{5}{32}$ - 7$\frac{3}{32}$	7$\frac{5}{32}$ - 7$\frac{1}{32}$	7$\frac{3}{16}$ - 7$\frac{1}{16}$	7$\frac{3}{16}$ - 7$\frac{1}{32}$	7$\frac{5}{32}$ - 7$\frac{1}{16}$
Spanish Peseta	7¾ - 7⅝	7⅝ - 7$\frac{7}{16}$	7$\frac{19}{32}$ - 7$\frac{15}{32}$	7½ - 7⅜	7$\frac{7}{16}$ - 7$\frac{5}{16}$	7½ - 7⅜
Sterling	6$\frac{1}{16}$ - 6	6 - 5$\frac{15}{16}$	6$\frac{1}{32}$ - 5$\frac{31}{32}$	6$\frac{1}{16}$ - 6	6$\frac{5}{32}$ - 6$\frac{1}{32}$	6$\frac{13}{32}$ - 6$\frac{9}{32}$
Swiss Franc	2½ - 2⅜	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2⅜ - 2¼	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2$\frac{5}{16}$ - 2$\frac{3}{16}$	2$\frac{7}{16}$ - 2$\frac{5}{16}$
Can. Dollar	4⅞ - 4$\frac{11}{16}$	4$\frac{11}{16}$ - 4½	4$\frac{11}{16}$ - 4$\frac{9}{16}$	4$\frac{11}{16}$ - 4$\frac{9}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5$\frac{5}{16}$ - 5$\frac{3}{16}$
US Dollar	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5⅜ - 5$\frac{1}{4}$	5½ - 5$\frac{3}{8}$	5⅝ - 5$\frac{1}{2}$	5⅞ - 5$\frac{3}{4}$
Italian Lira	9$\frac{5}{16}$ - 9$\frac{3}{16}$	9¼ - 9⅛	9⅛ - 8$\frac{15}{16}$	8¾ - 8⅝	8⅝ - 8$\frac{7}{16}$	8$\frac{7}{16}$ - 8$\frac{5}{16}$
Yen	½ - ⅜	$\frac{7}{16}$ - $\frac{11}{32}$	$\frac{7}{16}$ - $\frac{11}{32}$	⅝ - ½	$\frac{23}{32}$ - $\frac{19}{32}$	$\frac{31}{32}$ - $\frac{27}{32}$
Asian $Sing	2½ - 2⅜	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2$\frac{7}{16}$ - 2$\frac{5}{16}$	2$\frac{11}{16}$ - 2$\frac{9}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.03	96.02	+0.02	96.04	96.02	12,095	50,055
Sep	96.05	96.05	+0.03	96.06	96.04	7,589	53,327
Dec	95.93	95.94	+0.03	95.95	95.92	2,735	30,417

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.74	96.72	-0.01	96.74	96.72	15863	173739
Sep	96.78	96.75	-	96.78	96.75	21186	243042
Dec	96.61	96.58	-	96.62	96.57	20605	207052
Mar	96.32	96.29	-	96.34	96.29	17583	160507

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.39	91.28	-0.09	91.39	91.25	12089	54404
Sep	92.01	91.87	-0.09	92.01	91.86	9418	40457
Dec	92.18	92.13	-0.02	92.19	92.11	4626	28585
Mar	92.15	92.13	-	92.18	92.14	2268	10549

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.79	97.79	+0.01	97.84	97.75	5122	21066
Sep	97.74	97.72	-	97.78	97.68	7583	31806
Dec	97.55	97.52	+0.01	97.57	97.48	1951	11307
Mar	97.29	97.25	+0.01	97.29	97.23	100	6010

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.37	99.36	-	99.37	99.36	64	na
Sep	99.18	99.17	+0.02	99.18	99.16	50	na
Dec	98.89	98.90	+0.04	98.91	98.89	1506	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.65	95.66	+0.02	95.66	95.64	941	9821
Sep	95.75	95.75	+0.01	95.76	95.74	765	4646
Dec	95.62	95.63	+0.02	95.63	95.62	146	3730
Mar	95.43	95.43	+0.03	95.43	95.41	167	2365

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.47	4.864	2.023	4923	5.441	20.82	499.4	405.2	21.63	3.990	2.088	4.344	3.159	337.2	2.576
Denmark	(DKr)	53.25	10	8.770	2.590	1.077	2621	2.897	11.09	265.9	215.8	11.52	2.125	1.112	2.314	1.692	179.5	1.372
France	(FFr)	60.72	11.40	10	2.953	1.228	2989	3.303	12.64	303.2	246.0	13.13	2.422	1.268	2.636	1.918	204.7	1.564
Germany	(DM)	20.56	3.861	3.386	1	0.416	1012	1.118	4.281	102.7	83.30	4.446	0.820	0.429	0.893	0.650	69.36	0.530
Ireland	(I£)	49.43	9.283	8.141	2.405	1	2433	2.689	10.29	246.9	200.3	10.69	1.972	1.032	2.145	1.561	166.7	1.273
Italy	(L)	2.031	0.381	0.335	0.099	0.041	100.	0.111	0.423	10.14	8.232	0.439	0.081	0.042	0.088	0.064	6.849	0.052
Netherlands	(Fl)	18.38	3.452	3.027	0.894	0.372	904.8	1	3.828	91.79	74.48	3.975	0.733	0.384	0.799	0.581	61.97	0.474
Norway	(NKr)	48.02	9.018	7.909	2.336	0.971	2364	2.613	10	239.8	194.6	10.39	1.916	1.003	2.087	1.517	161.9	1.237
Portugal	(Es)	20.03	3.760	3.298	0.974	0.405	985.8	1.089	4.170	100.	81.15	4.331	0.799	0.418	0.870	0.633	67.52	0.516
Spain	(Pta)	24.68	4.634	4.064	1.200	0.499	1215	1.343	5.139	123.2	100.	5.337	0.985	0.515	1.072	0.779	83.20	0.636
Sweden	(SKr)	46.24	8.682	7.615	2.249	0.935	2276	2.515	9.628	230.9	187.4	10	1.845	0.965	2.006	1.460	155.9	1.191
Switzerland	(SFr)	25.07	4.707	4.128	1.219	0.507	1234	1.364	5.220	125.2	101.6	5.421	1	0.523	1.090	0.792	84.51	0.646
UK	(£)	47.90	8.995	7.889	2.330	0.969	2358	2.606	9.975	239.2	194.1	10.36	1.911	1	2.081	1.513	161.5	1.233
Canada	(C$)	23.02	4.322	3.791	1.120	0.466	1133	1.252	4.793	114.9	93.27	4.978	0.918	0.481	1	0.727	77.61	0.593
US	($)	31.66	5.945	5.214	1.540	0.640	1558	1.722	6.593	158.1	128.3	6.847	1.263	0.661	1.375	1	106.7	0.816
Japan	(Y)	29.66	5.570	4.885	1.443	0.600	1460	1.614	6.176	148.1	120.2	6.415	1.183	0.619	1.289	0.937	100.	0.764
Ecu		38.82	7.289	6.393	1.888	0.785	1911	2.112	8.083	193.8	157.3	8.395	1.549	0.810	1.686	1.226	130.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6489	0.6488	-0.0001	0.6494	0.6474	16,341	80,726
Sep	0.6516	0.6520	-0.0004	0.6521	0.6515	327	4,834
Dec	0.6550	0.6557	-0.0007	0.6557	0.6550	28	1,503

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9375	0.9397	+0.0024	0.9401	0.9362	8,292	69,519
Sep	0.9492	0.9510	+0.0021	0.9518	0.9508	143	3,650
Dec	-	0.9605	-	-	-	142	2,580

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7902	0.7909	+0.0008	0.7913	0.7895	14,679	44,189
Sep	0.7990	0.7969	+0.0004	0.7990	0.7959	573	3,448
Dec	-	0.8035	+0.0004	0.8035	-	39	799

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5080	1.5116	+0.0036	1.5118	1.5098	8,785	46,327
Sep	1.5070	1.5100	+0.0042	1.5106	1.5070	98	679
Dec	-	1.5080	+0.0038	1.5080	-	13	43

UK INTEREST RATES

LONDON MONEY RATES

May 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4	6 - 5¾	6 - 5⅞	6⅛ - 6	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6$\frac{7}{16}$ - 6$\frac{5}{16}$
Sterling CDs	-	-	6 - 5$\frac{29}{32}$	6$\frac{1}{32}$ - 5$\frac{31}{32}$	6$\frac{1}{16}$ - 6	6$\frac{5}{16}$ - 6¼
Treasury Bills	-	-	5$\frac{29}{32}$ - 5⅞	5$\frac{27}{32}$ - 5$\frac{25}{32}$	-	-
Bank Bills	-	-	5$\frac{29}{32}$ - 5⅞	5⅞ - 5$\frac{13}{16}$	5⅞ - 5$\frac{13}{16}$	-
Local authority deps.	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6 - 5⅞	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{1}{8}$ - 5$\frac{31}{32}$	6$\frac{3}{8}$ - 6$\frac{1}{4}$
Discount Market deps	6 - 5½	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on May 17, 5.8155pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.079pc. Finance House Base Rate 6.5pc from May 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.90	93.90	-	93.91	93.89	9812	87122
Sep	93.83	93.83	+0.02	93.85	93.81	8719	60346
Dec	93.61	93.62	+0.04	93.64	93.58	13984	70037
Mar	93.28	93.29	+0.05	93.31	93.26	8469	46621
Jun	92.92	92.91	+0.04	92.93	92.89	2196	37901

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9375	0.16	0.19	0.19	0.01	0.11	0.32
9400	0.02	0.06	0.10	0.12	0.23	0.48
9425	0	0.02	0.04	0.35	0.44	0.67

Est. vol. total, Calls 3251 Puts 4387. Previous day's open int., Calls 151804 Puts 124141

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

May 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.356	+0.138	-1.93	3.39	13
Netherlands	2.15214	2.13999	+0.00087	-0.56	1.97	4
Belgium	39.3960	39.3250	+0.0105	-0.18	1.58	1
Germany	1.91007	1.91329	+0.00062	0.17	1.22	-2
Austria	13.4383	13.4630	+0.0042	0.18	1.20	-2
Portugal	195.792	196.359	+0.116	0.29	1.10	-2
Ireland	0.792214	0.794750	-0.001443	0.32	1.07	-2
France	6.40608	6.47385	-0.00244	1.06	0.33	-8
Denmark	7.28580	7.38745	+0.0029	1.40	0.00	-10
NON ERM MEMBERS						
Greece	292.867	302.584	+0.092	3.32	-1.86	-
Italy	2106.15	1935.66	-0.43	-8.00	10.32	-
UK	0.786652	0.820491	-0.000842	4.30	-2.79	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.490	1.92	2.23	2.54	0.08	0.48	0.89
1.500	1.14	1.57	1.98	0.30	0.80	1.27
1.510	0.56	1.03	1.46	0.72	1.25	1.76
1.520	0.21	0.63	1.05	1.37	1.85	2.34
1.530	0.03	0.35	0.72	2.19	2.52	2.95

Previous day's vol., Calls 3,403 Puts 5,502 . Prev. day's open int., Calls 171,333 Puts 185,232

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.51	-	94.52	94.50	19,342	380,741
Sep	94.34	94.33	-	94.36	94.33	35,205	359,546
Dec	94.07	94.06	-	94.08	94.05	48,501	368,613

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.98	94.98	-	94.99	94.98	140	8,894
Sep	94.83	94.82	+0.02	94.83	94.82	92	3,331
Dec	94.61	94.51	-	94.61	94.61	2	1,207

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
9650	0.23	0.27	0.28	0.30	0.01	0.05	0.06	0.08
9675	0.02	0.09	0.11	0.13	0.05	0.09	0.11	0.13
9700	0	0.02	0.03	0.04	0.28	0.27	0.28	0.29

Est. vol. total, Calls 1716 Puts 1325. Previous day's open int., Calls 356575 Puts 353688

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9800	0.01	0.07	0.10	0.22	0.35	0.58
9825	0	0.02	0.05	0.46	0.55	0.78

Est. vol. total, Calls 900 Puts 100. Previous day's open int., Calls 6840 Puts 3747

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9125	0.13	0.71	1.01	0.12	0.09	0.13
9150	0.05	0.51	0.82	0.29	0.14	0.19
9175	0.02	0.33	0.64	0.51	0.21	0.26

Est. vol. total, Calls 1941 Puts 300. Previous day's open int., Calls 41736 Puts 26091

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	484xd	+5	588	476½	5,028	6.1	18.3
Bulmer (HP)	[illegible]	590	-1	625	430	313.1	2.6	18.6
Burn Stewart	[illegible]	115	—	146	101	88.2	5.4	24.8
Glenmorangie A		633	—	680	600	86.7	1.2	ϕ
Grand Met	[illegible]	442	-2	487	374	9,273	4.4	18.5
Guinness	[illegible]	470	-4	535	435	9,852	4.0	15.3
Highland	[illegible]	372xd	-1	405	315	495.9	2.7	17.4
Kirin Y	[illegible]	840½	-7	879½	621	8,848	0.7	32.3
Macallan-Glen	[illegible]	168	—	217	150	197.2	1.1	34.5
Matthew Clark	[illegible]	782	+2	782	580	689.3	3.5	–
Merrydown	[illegible]	124	—	140	68	13.5	2.0	–
Seagram $		[illegible]	[illegible]	[illegible]	£17⅞	6,358	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		[illegible]	—	[illegible]	[illegible]	6.31	19.8	–
Cater Allen	[illegible]	403	—	525	403	131.4	8.3	6.7
Close Bros	[illegible]	374	—	392	271½	450.7	3.0	16.6
Gerrard & Nat	[illegible]	370	—	472	370	180.8	7.6	11.9
Hambros	[illegible]	238	+2	252	180	421.3	3.9	–
7½pc Cv Pf		113	+1	117	94½	145.8	8.3	–
King & Shaxson	[illegible]	172	—	178	110	45.4	6.5	13.4
Leopold J	[illegible]	453	—	483	353	24.0	5.2	15.6
Rea Brothers	[illegible]	98	—	87	44	28.0	2.2	27.5
Schroders	[illegible]	1338	+8	1478	1090	2,085	1.5	18.5
N/V	[illegible]	1040	+2	1180	880	457.6	1.9	14.5
Singer & Fried	[illegible]	111xd	—	118	90	219.2	4.5	9.2
8½pc Cv Ln 09/14		£135½	—	£137	[illegible]	41.5	6.3	–
Union	[illegible]	99	+1	121	71	28.3	3.8	ϕ

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

PAPER, PACKAGING & PRINTING

LIFE ASSURANCE

MEDIA

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TEXTILES & APPAREL

AMERICANS

PHARMACEUTICALS

CANADIANS

TOBACCO

TRANSPORT

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34½	£29⅞	2,038	2.7	Φ
Barlow		£9½	—	£10½	£8⅞	1,308	2.1	–
Gold Flds Prop R		140	—	178	130	14.3	6.5	10.3
MK Props		75	—	95	75	3.01	12.9	–
SASOL		632	+5	710	475	3,701	1.9	–
SA Brews		£18½	—	£28½	£17¼	5,329	2.1	Φ
Standard Bank		£24½	—	£32½	£20½	2,889	1.6	19.8
Tiger Oats		810	–10	1270	810	1,218	2.1	15.6
Tongaat-Hulett		875	—	1247	685	828.3	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Freres Asset Management (CI) Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Atlantic Fund Management (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

Bank of Ireland Asset Mngmt (IOM) Ltd

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

INVESCO International Limited - Contd.

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Sarasin Investment SICAV (a)

LUXEMBOURG (REGULATED)(**)

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Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Apr 30	$84.44		—	–

Xiphias International Investment Fd Ltd

Zenett Lombardier Ltd

NAV May 1	$182.34		—	–

Zaleni Investment Management AG

Zaleni Europe Ltd NAV May 17	DM107 435		—	–

Zweig–DiMenna International Limited

NAV Apr 30	$14977		—	–

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(♣) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
x - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies
ϕ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

Fund raising fears return to haunt equities

By Steve Thompson, UK Stock Market Editor

A promising early move by UK stocks, following Wall Street's rise on Wednesday to yet another all-time closing high, ran out of steam half way into the trading session and the market eventually closed with widespread losses.

The slide in London was initiated by continuing unease over the fears of a growing confrontation between Britain and the European Union over the ban on UK beef exports, but was exacerbated by hints that the list of rights issues being prepared was growing longer.

Adding to the market's misery was evidence of at least two sizeable trading programmes, both weighted on the sell side, and which put paid to any lingering chances of the market ending the session in positive ground.

And it was not only the worry about rights issues that hung over the market. Dealers insist that the market will not make any rapid progress until the expected placing of Bank of Scotland shares; Standard Life, the Scottish-based mutual insurance company, has said it intends to sell part or all of its 32.5 per cent stake in the Scottish bank, valued at just short of £1bn.

The market has had to cope with two substantial rights issues this week, both from the property sector – £100m from Chelsfield and £140m from Burford – and there have been persistent rumours over the past couple of weeks about large fund raising operations.

Prudential shares have been one of the poorest Footsie performers over the past week or so, amid rumours that it may be about to launch a big rights issue to help fund the acquisition of a building society or life assurance company.

Commenting on the shift in sentiment, one senior trader said: "The market has been struggling for some days and gave way again when the sell programmes emerged; that, and the persistent pressure on the future, proved too much."

He also pointed to the build-up of political pressure, which is beginning to unnerve some fund managers, already fearing a general election much earlier than they had previously expected.

The Footsie ended the day 17.2 off at 3,747.0, well above the day's lowest point, but also a far cry from its best level, reached shortly after the start of trading.

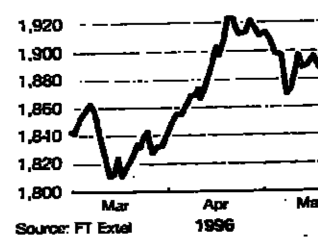
At its best, the Footsie topped 3,780 and momentarily looked set fair to launch another attempt on the 3,800 mark. The second lines also came in for some rough handling, with the FT-SE Mid 250 index finally settling 10.9 down at 4,501.4.

The hit on the Footsie would have been much worse without another strong performance from the food retailers, which outpaced other sectors in the wake of a number of upgrades from leading broking firms. These included NatWest Securities, BZW, SGST and UBS. Charterhouse Tilney adopted a more positive stance on J. Sainsbury late on Wednesday.

Marketmakers were quick to point out that the food retailers are traditionally viewed as one of the market's more defensive areas.

Turnover in equities at the 6pm reading was 971.1m shares. Retail business on Wednesday was valued at a hefty £2.3bn.

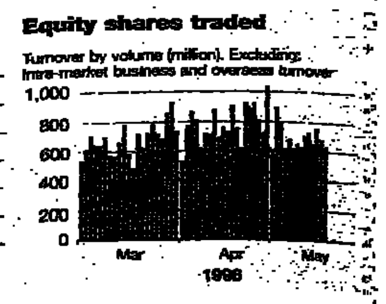
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3747.0	−17.2
FT-SE Mid 250	4501.4	−10.9
FT-SE-A 350	1899.1	−7.8
FT-SE-A All-Share	1885.24	−7.26
FT-SE-A All-Share yield	3.79	3.78
FT Ordinary index	2787.0	−12.0
FT-SE-A Non Fins p/e	16.98	17.02
FT-SE 100 Fut Jun	3742.0	−21.0
10 yr Gilt yield	8.03	8.04
Long gilt/equity yld ratio:	2.21	2.22

Best performing sectors

1. Water .... +1.8
2. Retailers: Food .... +0.9
3. Banks: Merchant .... +0.4
4. Breweries: Pubs & Rest .... +0.3
5. Oil: Integrated .... +0.2

Worst performing sectors

1. Telecommunications .... −1.6
2. Life Assurance .... −1.3
3. Gas Distribution .... −1.3
4. Building Mats .... −1.0
5. Diversified Inds .... −1.0

NatPower pulled by dividend

A two-way pull has begun to develop in National Power as some analysts start to include the special dividend in their valuations.

They point out that for gross funds, which can claim back tax on dividends, National Power's recent payout of a 100p special dividend plus a 17.6p final dividend represents a total of 147p.

For those funds which hold the partly paid shares – priced yesterday at 383½p – the dividends would essentially enable them to obtain the second tranche for free.

One analyst commented: "With the shares on a yield relative of 190 to the market, it is hard to understand why people have not been buying for the dividend."

Nevertheless, a number of investment institutions have had enough with the utilities – particularly National Power for which they feel the good news is all in the share price.

Consequently, the shares resisted the deeper woes of the market but failed to do better than close 3¼ off at 516½p.

Asda price fear

News in the second half of the session that Asda Group is stepping up the petrol price war took the shine off a sector driven forward by a clutch of brokers' recommendations.

Asda said it is to sell "profit free" petrol at its hypermarkets from this weekend. Several analysts said that the announcement would "have little impact", but the news nevertheless saw shares in the sector retreat from the day's highs.

Shares in Asda reversed earlier gains that followed a recommendation from UBS. Having risen to 122p, the stock retreated to close 1½ down at 118½p after trade of 21m.

However, UBS rival NatWest Securities took the opposite stance. The broker downgraded its recommendation on the shares to "hold", saying the stock had already hit its desired 120p target. NatWest advised clients to switch into Argyll Group.

Shares in Argyll put on 6 at 350p, boosted by a recommendation from UBS on the sector as a whole after it upgraded its position from "neutral" to "overweight". BZW also reiterated its positive stance on Argyll.

Tesco was among the best performing stocks in the Footsie as it rose 6 to 293p in heavy trading that brought volume of 22m by the close.

UBS, the company's broker, reiterated its positive stance on the stock, while rival BZW upgraded its recommendation from "hold" to "buy".

BZW is positive on the superstores except J. Sainsbury, which continued to be powered by Wednesday's recommendation from Charterhouse Tilney and improving sentiment in the sector as a whole. It gained 5 to 384p.

A downbeat presentation by French glass giant St Gobain sparked profits downgrades at Pilkington and the shares tumbled to the bottom of the Footsie rankings.

A number of brokers cut back their estimates for this year and the City consensus on profits now looks to have come down by some £20m to £256m. SBC Warburg was said to have moved from "hold" to "sell". The shares lost 6 at 194p.

The French group was very cautious about sales in the first four months of this year. St Gobain is more heavily linked to the motor industry than Pilkington, but there was no mistaking the decline in sentiment yesterday.

Much of the sector's difficulties were attributed to poor weather, and not all brokers shared in the general pessimism. BZW remained a buyer of Pilkington.

Cable and Wireless, a weak market since the end of its talks with BT, crashed in the Footsie rankings following profits downgrades and another negative twist for merger hopes.

The latest results were broadly in line with market hopes, but a number of dull spots, notably the One-to-One mobile phones business, sparked broker disaffection.

As a result, analysts downgraded earnings estimates. Among them, Panmure Gordon came off by £29m to £1.372bn for this year.

But the main problem for the shares was the news that any deal with BT was beyond redemption. The announcement that C&W was intent on linking up with Stet, of Italy, was interpreted by telecoms analysts as something of a consolation prize. The stock ended the day 13 lower at 446p in 12m traded, compared with a 52-week high of 554p.

Worries that Prudential intends to launch a rights issue and buy a mutual life assurance group, combined with a line of 6.2m shares passing through the market at 414p a share, saw the stock dip 9 to 414p. However, some insurance specialists believe the stock has been mauled unnecessarily and point out that it has no need to call on shareholders for extra funds.

Turnover in motor engineer T&N fell sharply in heavy volume following a profits downgrade by a leading broker.

Earnings estimates were trimmed at the beginning of the month after a downbeat annual meeting. But yesterday there were signs that a further clear-out was in operation at one leading house. The shares fell 7 to 148p in 23m traded.

Bargain hunters in Chelsfield, which announced a rights issue earlier this week, lifted the stock 10 to 254p ex-rights. Land Securities shed 4 to 637p after NatWest Securities advised clients to "reduce" holdings.

Property group Burford Holdings, which confirmed it is launching a £141.7m rights issue, was the worst performer in the FT-SE Mid 250 index. The shares fell 9 to 137p.

Analysts said Storehouse, which shed 7 to 327p after its annual results, had given an overly cautious presentation, perhaps because it did not want forecasts to be over-egged. One analyst said the share price was likely to be jittery until more was known about Mothercare.

Panmure Gordon moved to a "hold" from a "buy" but left its current year forecast at £128m. ABN Amro Hoare Govett trimmed its forecast to £126m.

In the stores sector, there was profit-taking in a number of stocks, including Marks and Spencer, which lost 5 to 457½p.

One analyst said there had been programme trades in Great Universal Stores, down 12 to 675p, and Next, 6 lower at 558p.

Vendome jumped 17 to 607p, with a buyer in the market.

Boots rose 3 to 615p amid speculation about a share buyback.

Allied Domecq was the main performer in the drinks sector, rising 5 to 484p. One analyst speculated that there might have been some switching from Guinness, which dipped 4 to 470p. Another suggested it could be because the group's management had been visiting a number of institutions.

Mulberry, the leather goods group, opened at a premium to its flotation price. The shares, quoted on AIM, were offered at 153p, started trading at 188p and ended the day at 185p.

Insurance broker Ockham leapt 26 to 98p after the group announced more good news about future profits.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	May 23	May 22	May 21	May 20	May 17	Yr ago	*High	*Low
Ordinary Share	2787.0	2799.0	2815.3	2611.0	2816.5	2513.2	2885.2	2695.7
Ord. div. yield	3.98	3.97	3.92	3.94	3.93	4.24	4.06	3.76
P/E ratio net	16.21	16.28	16.64	16.60	16.62	15.91	17.25	15.96
P/E ratio nil	15.99	16.06	16.41	16.37	16.39	15.67	17.08	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2807.6	2809.7	2809.1	2803.6	2800.4	2783.1	2783.3	2783.2	2786.3	2811.0	2780.2

	May 23	May 22	May 21	May 20	May 17	Yr ago
SEAQ bargains	32,593	34,111	35,254	42,502	34,567	29,184
Equity turnover (£m)†	-	2266.5	1828.8	1850.5	2363.7	1674.6
Equity bargains†	-	41,641	44,571	52,876	41,162	42,610
Shares traded (mil)†	-	735.7	616.3	685.8	770.5	659.9

†Excluding intra-market business and overseas turnover.

	May 23	May 22	May 21	May 20	May 17	Yr ago	*High	*Low
FT-SE AIM	1091.30	1089.30	1089.30	1086.50	1084.50	-	1084.50	965.66

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	532	Total Highs	150	Total contracts	46,139
Total Falls	707	Total Lows	19	Calls	19,714
Same	1504			Puts	26,425

May 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3781.0	3742.0	-21.0	3781.0	3732.0	13390	54802
Sep	3784.0	3750.0	-21.0	3787.0	3753.0	1036	8431
Dec	3813.0	3779.0	-21.0	3813.0	3787.0	236	535

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4510.0	-10.0	-	-	0	4141

■ FT-SE 100 INDEX OPTION (LIFFE) (*3747) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Jun	198	5½	153½	9½	111½	16½	74	29	42½	50½	20½	80	8	120	2½	168
Jul	210	16	167½	22½	130½	35	97½	52	67½	73½	43½	99½	25½	133½	14	[illegible]
Aug	218	28½	189	39	144½	52½	112½	71	84½	94	60	120	40½	150½	24½	[illegible]
Sep	240½	46	202½	57	168½	72	136	89½	107	109½	82½	135½	60½	164	43½	198
Dec†			254½	88½			192½	122			148½	169			95	226

Calls 5,703 Puts 8,502

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Jun	174	8	130	13½	89½	22½	56	39	30½	63½	13½	96	8	138	2	184
Jul	167½	18½	147½	27½	111½	41	79½	58½	53½	82½	33½	112	19	147	10	187
Aug	199	33½	162½	46	128	61	97½	79½	70½	102½	48½	129½	31½	161½	18½	198½
Sep			183½	81			120	95½			72½	148			49½	212
Dec†			242	93½			184	132			132	175½			89½	230½

Calls 4,546 Puts 12,673 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	76.5	105	51	Aberforth Smlr C	102		-	-	-	-
-	F.P.	44.2	101	101	AIM Trust	101		-	-	-	-
-	F.P.	137.2	745	681¼	Atlantis Japan	686	-1	-	-	-	-
-	F.P.	-	175	123	Biocompatible Unit	133		-	-	-	-
105	F.P.	12.5	134	118	†CA Coutts	118	-2	-	-	-	-
-	F.P.	13.2	1050	850	Camgorm Units	925		-	-	-	-
-	F.P.	50.2	58	35	†Emtech	58	+15	-	-	-	-
-	F.P.	24.5	116	105	†Epic Multimedia	105		-	-	-	-
-	F.P.	23.0	97½	92	Gartmore Select	92	-1	-	-	-	-
-	F.P.	1.51	65	60	†Hercules Prop	60		-	-	-	-
-	F.P.	28.3	101	50	INVESCO E & I C	101		-	-	-	-
-	F.P.	5.67	5	3¼	†Just Group	4½		-	-	-	-
150	F.P.	51.9	160	155	†La Senza	155		-	-	-	-
200	F.P.	38.7	270	253	Luminer	258	+2	L6.0	2.2	2.8	14.4
-	F.P.	108.1	276	220	Maiden Group	275		R4.8	-	2.2	-
-	F.P.	36.7	203	183	†Mulberry Group	185		-	-	-	-
-	F.P.	5.29	143	138	Premiere Group	138	-1	L6.0	2.4	5.4	9.6
190	P.P.	2,90	229	205	Railtrack	218	-1	W20.6	2.6	6.4	7.5
-	F.P.	5.38	80	43	†Reflec	78	+12	-	-	-	-
-	F.P.	18.8	194½	95	Schroder Venture	194		-	-	-	-
-	F.P.	6.55	95	75	†Stentor	93		-	-	-	-
-	F.P.	-	97	95	Taiwan Inv Tst C	96		-	-	-	-
-	F.P.	21.6	12	7¼	†Thomas Potts	12	+2	-	-	-	-
-	F.P.	2.99	56	43	†Tom Hoskins	53		-	-	-	-
450	F.P.	154.3	633	598	Vanguard Medica	623	+3	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	May 22	% chg on day	May 21	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2307.54	−0.9	2329.39	1822.93	1.34	−	2528.73	1722.93
■ Regional Indices								
Africa (13)	3044.57	−1.3	3084.44	2428.19	2.38	42.43	3553.86	2272.74
Australasia (6)	2515.61	−0.9	2538.30	2132.80	2.61	28.16	2927.34	2088.51
North America (12)	2069.58	−0.8	2086.00	1609.01	0.67	72.77	2186.39	1488.94

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	May 23	Day's chge%	May 22	May 21	May 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3747.0	−0.5	3764.2	3789.4	3778.2	3328.2	4.03	2.14	14.48	75.87	1528.28
FT-SE Mid 250	4501.4	−0.2	4512.3	4529.2	4522.3	3651.6	3.34	1.75	21.44	80.59	1803.14
FT-SE Mid 250 ex Inv Trusts	4539.9	−0.2	4551.1	4568.0	4561.4	3657.7	3.44	1.80	20.22	85.65	1821.59
FT-SE-A 350	1899.1	−0.4	1906.9	1918.4	1913.4	1653.7	3.87	2.07	15.83	37.48	1583.35
FT-SE-A 350 Higher Yield	1818.0	−0.4	1825.4	1839.7	1838.9	1671.7	5.16	1.92	12.65	45.32	1266.91
FT-SE-A 350 Lower Yield	1987.5	−0.4	1995.7	2004.6	1995.2	1635.1	2.71	2.33	19.86	29.89	1373.61
FT-SE SmallCap	2236.97	−0.1	2239.03	2241.97	2240.04	1858.82	2.90	1.76	24.44	25.63	1830.60
FT-SE SmallCap ex Inv Trusts	2233.85	−0.1	2236.30	2238.91	2237.36	1835.69	3.07	1.85	22.04	26.85	1839.10
FT-SE-A ALL-SHARE	1885.24	−0.4	1892.50	1903.36	1898.47	1635.32	3.79	2.05	16.09	35.92	1596.10

■ **FT-SE Actuaries All-Share**

	May 23	Day's chge%	May 22	May 21	May 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3534.91	+0.1	3532.41	3551.02	3516.80	2874.24	3.79	1.83	18.00	78.92	1522.90
12 Extractive Industries(6)	4463.40	−0.4	4481.73	4524.49	4581.13	3828.58	3.62	2.50	13.82	109.19	1313.44
15 Oil, Integrated(3)	3574.65	+0.2	3567.64	3583.03	3538.55	2871.72	4.00	1.72	18.11	81.84	1579.61
16 Oil Exploration & Prod(15)	2494.19	−0.2	2499.83	2515.66	2465.99	2063.11	2.10	1.61	37.02	32.05	1500.46
20 GEN INDUSTRIALS(275)	2104.39	−0.6	2117.38	2123.16	2125.97	1963.74	4.03	1.90	16.33	35.20	1149.08
21 Building & Construction(34)	1210.45	−0.5	1216.84	1223.51	1223.85	998.07	3.40	1.79	20.49	19.09	1013.88
22 Building Matls & Merchs(29)	1918.24	−1.0	1938.55	1951.02	1958.41	1843.11	3.95	1.75	18.12	36.36	970.25
23 Chemicals(25)	2532.64	.....	2533.51	2538.18	2556.09	2432.95	3.92	1.92	16.61	48.01	1201.92
24 Diversified Industrials(19)	1711.51	−1.0	1728.48	1740.59	1739.16	1870.13	6.03	1.72	12.04	44.82	959.59
25 Electronic & Elect Equip(37)	2441.72	−0.2	2445.57	2458.11	2451.15	2012.68	3.00	1.67	24.88	14.16	1260.16
26 Engineering(71)	2449.23	−0.7	2466.23	2459.59	2463.20	1968.23	3.13	2.47	16.18	28.93	1483.81
27 Engineering, Vehicles(13)	3055.39	−0.2	3061.93	3053.03	3049.72	2285.58	3.49	1.89	19.01	49.11	1584.38
28 Paper, Pckg & Printing(28)	2754.31	−0.6	2771.68	2782.55	2780.32	3021.17	3.70	2.03	16.65	41.62	1147.09
29 Textiles & Apparel(19)	1384.40	.....	1384.49	1391.01	1395.32	1668.39	5.10	1.54	15.95	32.62	848.81
30 CONSUMER GOODS(90)	3537.82	−0.3	3549.88	3579.82	3556.52	3092.40	3.97	1.85	17.01	78.45	1312.95
32 Alcoholic Beverages(9)	2820.94	−0.3	2829.02	2852.44	2862.60	2755.22	4.43	1.62	17.42	71.72	1023.91
33 Food Producers(23)	2452.22	−0.2	2458.03	2467.23	2456.48	2463.80	4.23	1.94	16.11	57.54	1112.71
34 Household Goods(15)	2666.49	−0.1	2668.74	2668.65	2676.29	2607.81	3.72	2.41	13.93	53.70	1022.17
36 Health Care(20)	2072.78	−1.0	2094.07	2105.52	2100.99	1745.77	2.57	1.87	26.05	27.65	1261.84
37 Pharmaceuticals(12)	5076.39	−0.4	5099.20	5147.69	5078.53	3818.67	3.35	1.88	19.87	91.18	1727.59
38 Tobacco(1)	4252.38	−0.1	4256.62	4320.15	4311.68	4172.79	5.98	2.00	10.47	156.18	1068.17
40 SERVICES(253)	2539.10	−0.1	2542.65	2539.11	2525.63	2029.15	2.81	2.04	21.88	37.30	1321.62
41 Distributors(32)	2968.72	−0.5	2982.27	2975.53	2935.40	2580.53	2.84	1.76	24.99	36.69	1095.09
42 Leisure & Hotels(23)	3160.37	−0.4	3174.10	3202.85	3190.81	2329.40	2.78	1.96	22.96	141.77	1701.96
43 Media(46)	4253.44	−0.3	4267.50	4273.88	4269.26	2989.52	2.10	1.94	30.76	47.92	1541.00
44 Retailers, Food(15)	2021.82	+0.9	2003.98	1986.78	1990.69	1990.96	3.75	2.31	14.41	36.91	1290.02
45 Retailers, General(43)	2084.09	−0.7	2098.09	2089.72	2051.38	1661.62	2.97	2.16	19.46	22.12	1188.07
47 Breweries, Pubs & Rest.(24)	3148.02	+0.3	3138.88	3116.81	3112.07	2396.63	3.22	2.12	18.32	31.74	1508.81
48 Support Services(49)	2440.97	+0.5	2428.24	2413.05	2402.21	1608.49	1.88	2.46	27.10	24.03	1552.70
49 Transport(21)	2422.31	−0.1	2424.98	2440.67	2450.38	2295.34	3.64	1.50	22.92	28.66	1006.75
60 UTILITIES(33)	2336.20	−0.7	2342.64	2378.81	2387.58	2388.30	5.58	2.03	11.06	46.63	986.64
62 Electricity(12)	2665.78	−0.2	2672.02	2726.48	2749.79	2261.81	5.83	2.37	9.03	137.11	1283.12
64 Gas Distribution(2)	1182.35	−1.3	1198.35	1213.98	1213.98	1975.80	10.14	1.36	9.10	64.88	619.09
66 Telecommunications(7)	1974.90	−1.6	2007.59	2032.58	2030.04	2080.41	4.43	1.80	15.65	0.15	893.96
68 Water(12)	2037.36	+1.8	2001.72	2036.34	2081.92	1964.32	5.99	2.59	8.07	3.61	1104.84
69 NON-FINANCIALS(685)	2006.75	−0.3	2013.56	2022.71	2015.90	1756.50	3.80	1.94	16.98	36.81	1523.91
70 FINANCIALS(105)	2897.38	−0.7	2916.63	2950.81	2954.00	2408.33	4.12	2.65	11.44	71.77	1254.35
71 Banks, Retail(8)	3938.03	−0.7	3965.10	4023.20	4020.92	3223.61	3.95	2.89	10.95	110.04	1296.86
72 Banks, Merchant(6)	3625.56	+0.4	3610.58	3607.55	3572.01	3286.71	2.72	2.38	19.32	36.38	1148.51
73 Insurance(23)	1519.38	−0.5	1527.08	1551.81	1562.13	1341.12	5.19	3.34	7.21	47.23	1151.30
74 Life Assurance(6)	3448.24	−1.3	3495.11	3539.97	3551.91	2689.22	4.34	2.24	12.87	100.72	1445.52
77 Other Financial(21)	2748.84	−0.2	2755.18	2754.29	2750.49	2032.63	3.75	1.72	19.37	29.60	1559.24
79 Property(41)	1551.03	−0.6	1560.80	1559.65	1568.18	1458.02	4.09	1.30	23.50	13.94	949.51
80 INVESTMENT TRUSTS(126)	3242.51	−0.1	3245.76	3259.86	3252.70	2804.42	2.15	1.06	55.08	25.73	1131.32
89 FT-SE-A ALL-SHARE(896)	1885.24	−0.4	1892.50	1903.36	1898.47	1635.32	3.79	2.05	16.09	35.92	1596.10
FT-SE-A Fledgling	1267.71	+0.2	1265.32	1265.08	1261.95	1006.46	2.71	2.20	20.36	13.04	1324.25
FT-SE-A Fledgling ex Inv Trusts	1278.70	+0.2	1275.79	1275.11	1272.16	999.92	2.92	2.38	18.02	14.18	1335.97

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3776.9	3779.3	3776.8	3770.6	3766.6	3744.9	3745.0	3744.0	3747.1	3780.1	3741.0
FT-SE Mid 250	4510.5	4512.1	4513.2	4512.6	4510.2	4505.5	4503.0	4502.6	4501.6	4513.8	4501.4
FT-SE-A 350	1911.8	1912.8	1912.0	1909.5	1907.7	1898.7	1898.5	1898.1	1899.2	1913.0	1897.0

Time of FT-SE 100 Day's high: 8:55 AM Day's low: 1:27 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3554.2 (23/01/96)

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1194.6	1193.4	1192.2	1192.2	1190.5	1188.1	1187.4	1187.4	1186.9	1185.9	1194.3	-8.4
Pharmaceuticls	5044.9	5039.8	5028.0	5012.4	5006.4	4972.8	4974.5	4976.2	4996.1	5003.2	5025.1	-21.9
Water	1993.7	2012.1	2022.7	2023.1	2023.0	2027.1	2026.7	2025.5	2027.7	2027.7	1991.1	+36.6
Banks, Retail	4033.3	4036.9	4026.8	4020.8	4018.9	3991.2	3986.4	3984.0	3991.5	3988.3	4015.7	-27.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Greenacre (Fledgling).

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	516	486	[illegible]
ASDA Group†	21,400	118½	[illegible]
Abbey National†	2,300	564	[illegible]
Albert Fisher	2,800	48½	[illegible]
Allied Domecq†	3,400	484	[illegible]
Anglian Water	3,800	622	[illegible]
Argos†	1,700	728	[illegible]
Argyll Group†	6,100	350	[illegible]
Arjo Wiggins	732	183	[illegible]
Assoc. Brit. Foods†	2,700	379	[illegible]
Assoc. Brit. Ports	346	283	[illegible]
BAA†	2,400	498	[illegible]
BAT Inds.†	10,700	522	[illegible]
BET	349	235½	[illegible]
BBA	1,600	328	[illegible]
BICC	1,000	335	[illegible]
BOC†	585	928	[illegible]
BP†	6,300	575	[illegible]
BPB Inds.	1,300	326	[illegible]
BSkyB†	777	451	[illegible]
BT†	12,500	334½	[illegible]
BTR†	14,600	288½	[illegible]
Bank of Scotland†	2,600	282	[illegible]
Barclays†	1,900	775	[illegible]
Bass†	5,000	798	[illegible]
Blue Circle†	2,700	358	[illegible]
Booker	2,400	387	[illegible]
Boots†	1,800	615	[illegible]
Britannia	405	766	[illegible]
Brit. Aerospace†	724	888	[illegible]
British Airways†	11,400	566	[illegible]
British Gas†	30,700	174½	[illegible]
British Land	1,200	420	[illegible]
British Steel†	7,500	175½	[illegible]
Bunzl	726	240	[illegible]
Burmah Castrol†	332	1038	[illegible]
Burton†	3,800	162½	[illegible]
Cable & Wire†	12,600	446	[illegible]
Cadbury Schweppes†	3,600	470	[illegible]
Caradon	2,200	227	[illegible]
Carlton Comms.†	1,700	467	[illegible]
Chubb	1,100	356	[illegible]
Coats Viyella	3,400	174	[illegible]
Comm. Union†	2,000	605	[illegible]
Compass	797	644	[illegible]
Cookson†	3,500	314	[illegible]
Courtaulds†	3,700	436	[illegible]
Dalgety	148	371	[illegible]
De La Rue	236	738	[illegible]
Dixons†	1,300	495	[illegible]
East Midland Elect.	724	599	[illegible]
Electrocomps	753	405	[illegible]
Eng China Clays	283	272	[illegible]
Enterprise Oil†	518	473	[illegible]
Eurotunnel Units	111	85	[illegible]
FKI	1,600	167	[illegible]
Foreign & Col. I.T.†	583	157½	[illegible]
Gen. Accident†	859	663	[illegible]
General Elect.†	6,500	359½	[illegible]
Glaxo Wellcome†	9,300	861	[illegible]
Glynwed	1,400	344	[illegible]
Granada†	4,700	809	[illegible]
Grand Met.†	3,400	442	[illegible]
GUS†	1,100	676	[illegible]
Greenalls†	511	586	[illegible]
GRE†	6,000	268	[illegible]
GKN†	820	998	[illegible]
Guinness†	2,100	470	[illegible]
HSBC (75p shs)†	2,300	980	[illegible]
Hammerson	405	389	[illegible]
Hanson†	10,400	190½	[illegible]
Harrisons Crosfield	3,700	144	[illegible]
Hays	8,000	449	[illegible]
Hillsdown	2,300	180	[illegible]
Hyder	1,500	739	[illegible]
IMI	2,300	353	[illegible]
ICI†	988	881	[illegible]
Inchcape	2,400	282	[illegible]
Johnson Matthey	123	581	[illegible]
Kingfisher†	2,400	619	[illegible]
Kwik Save	194	456	[illegible]
Ladbroke†	3,100	186	[illegible]
Land Securities†	3,000	637	[illegible]
Laporte	112	724	[illegible]
Legal & General†	527	707	[illegible]
Lloyds Abbey	202	519	[illegible]
Lloyds TSB†	9,400	315	[illegible]
LASMO†	2,400	179	[illegible]
London Elect	619	705	[illegible]
Lonrho	1,600	190	[illegible]
Lucas	8,800	237	[illegible]
MEPC	565	415	[illegible]
MFI	2,400	176	[illegible]
Marks & Spencer†	7,200	457½	[illegible]
Mercury Asset Man	683	874	[illegible]
Midlands Elect	702	425	[illegible]
Morrison (Wm.)	5,300	166	[illegible]
NFC	1,700	158	[illegible]
NatWest Bank†	6,400	620	[illegible]
National Grid†	6,700	178½	[illegible]
National Power†	4,900	516½	[illegible]
Next	2,700	558	[illegible]
Northern Elect.	426	570	[illegible]
Northern Foods	723	182	[illegible]
Pearson†	1,400	697	[illegible]
P & O†	2,400	530	[illegible]
Pilkington†	5,800	194	[illegible]
PowerGen†	729	516	[illegible]
Premier Farnell	627	740	[illegible]
Prudential†	9,600	414	[illegible]
REXAM†	6,200	357	[illegible]
RMC†	775	1048	[illegible]
RTZ†	2,600	995	[illegible]
Racal	798	330	[illegible]
Railtrack	7,600	218	[illegible]
Rank Org.†	1,300	518	[illegible]
Reckitt & Colman†	1,300	689	[illegible]
Redland†	2,400	405	[illegible]
Reed Intl.†	1,300	1097	[illegible]
Rentokil†	4,800	412	[illegible]
Reuters†	2,200	778	[illegible]
Rolls Royce†	2,900	224½	[illegible]
Ryl Bk Scotland†	2,500	528	[illegible]
Royal Insurance†	1,400	426	[illegible]
Sainsbury†	6,300	384	[illegible]
Schroders†	280	1350	[illegible]
Scottish & New.†	1,200	675	[illegible]
Scot. Hydro-Elect.	187	311	[illegible]
Scottish Power†	1,800	340	[illegible]
Sears	1,600	98	[illegible]
Sedgwick	1,400	150	[illegible]
Severn Trent†	1,500	551	[illegible]
Shell Transport†	4,400	930	[illegible]
Siebe†	880	865	[illegible]
Slough Ests	514	219	[illegible]
Smith (W.H.)	1,800	477	[illegible]
Smith & Nephew†	5,200	201	[illegible]
SmKl Beecham†	4,800	654	[illegible]
Smiths Inds.†	635	713	[illegible]
Southern Elect†	2,100	735	[illegible]
South West Water	505	651	[illegible]
Southern Water	574	875	[illegible]
Standard Chartd.†	2,700	619	[illegible]
Storehouse	11,700	327	[illegible]
Sun Alliance†	3,000	415	[illegible]
T&N	23,500	148	[illegible]
TI Group†	4,900	534	[illegible]
Tarmac	878	118	[illegible]
Tate & Lyle†	1,600	459	[illegible]
Taylor Woodrow	700	151	[illegible]
TeleWest Comms	256	187	[illegible]
Tesco†	22,500	293	[illegible]
Thames Water†	2,600	548	[illegible]
Thorn EMI†	978	1760	[illegible]
Tomkins†	7,800	252	[illegible]
Trafalgar House	21	50½	[illegible]
Unigate	1,100	407	[illegible]
Unilever†	2,700	1236	[illegible]
United Biscuits	1,800	225	[illegible]
Utd. News & Media	1,900	730	[illegible]
United Utilities†	1,800	581	[illegible]
Vodafone†	5,600	246	[illegible]
WPP	2,100	198	[illegible]
Wessex Water	589	307	[illegible]
Whitbread†	620	725	[illegible]
Williams Hldgs.†	1,500	328	[illegible]
Willis Corroon	1,100	167	[illegible]
Wimpey	86	138	[illegible]
Wolseley†	2,700	459	[illegible]
Yorkshire Elect	2,400	718	[illegible]
Yorkshire Water	2,000	637	[illegible]
Zeneca†	4,300	1391	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 23 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	1,900	-50	1,980	1,758	2.6	—
BkAust	914	+9	914	793	1.1	—
BkAuPf	445	-2	482	429	2.2	—
BUAG	880xd	+25	885	788	2.8	—
BrauUn	700	+1	700	481	—	—
Credit	757	+3	760	563	1.3	—
CredPf	593	-2	631	518	1.7	—
EA Gen	3,570	+18	3,775	3,100	0.4	—
EVN	1,609	-18	1,628	1,142	1.4	—
Jenbac	1,800	+30	1,800	1,530	5.8	—
Lenzng	726	-3	917	705	1.4	—
Leykam	317	+2	403	311	7.8	—
Mayr-M	480	—	981	418	2.9	—
OMV	1,110	-8	1,126	876	1.8	—
Oest B	617	+12	617	469	2.4	—
PerlZm	700	—	820	680	2.9	—
RadexH	349	-3	375	310	4.0	—
SteyrD	153	-2	181	134.10	3.9	—
Univ B	505	+5	535	458	—	—
VA Tec	1,407xd	+1	1,454	1,268	2.0	—
VoeBrA	818	+3	821	606	2.0	—
VnlAir	733	+5	788	646	1.6	—
VA Stl	368xd	-1	377	292	—	—
Wienbg	2,175xd	+46	2,400	1,868	1.8	—

BELGIUM/LUXEMBOURG (May 23 / Frs.)

CZECH REP (May 23 / Koruna)

DENMARK (May 23 / Kr)

FINLAND (May 23 / Mks)

FRANCE (May 23 / Frs.)

GERMANY (May 23 / Dm.)

GREECE (May 23 / Drachma)

ITALY (May 23 / Lira)

NETHERLANDS (May 23 / Fls.)

NORWAY (May 23 / Kroner)

POLAND (May 23 / Zloty)

PORTUGAL (May 23 / Escudo)

SPAIN (May 23 / Pts.)

SWEDEN (May 23 / Kronor)

SWITZERLAND (May 23 / Frs.)

TURKEY (May 23 / TK Lira)

PACIFIC

JAPAN (May 23 / Yen)

HONG KONG (May 23 / H.K.$)

INDONESIA (May 23 / Rupiah)

MALAYSIA (May 23 / MYR)

NEW ZEALAND (May 23 / NZ $)

SINGAPORE (May 23 / S$)

AUSTRALIA (May 23 / Aust$)

SOUTH KOREA (May 23 / Won)

TAIWAN (May 23 / TW $)

THAILAND (May 23 / Baht)

NORTH AMERICA

CANADA

TORONTO (May 23 / Can $)

4 pm close

MONTREAL (May 23 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (May 23 / Rand)

		+/-	High	Low	Yld	P/E
W Area	68.25	+.75	72	59.50	4.5	—
W Deep	197	+5	223	120	2.5	—
Winkih	42	+1.50	44	28	4.8	—

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. // Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	May 23	May 22	May 21	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	18810.94	18799.47	18881.95 20/5	15828.61 19/3
Australia					
All Ordinaries(1/1/80)	2257.1	2244.1	2242.9	2328.00 26/4	2187.40 11/3
All Mining(1/1/80)	1066.5	1054.5	1057.6	1118.40 8/5	1004.70 16/1
Austria					
Credit Aktien(30/12/84)	393.52	394.34	390.14	394.34 22/5	352.78 2/1
Traded Index(2/1/91)	1137.37	1137.51	1131.28	1137.51 22/5	976.27 2/1
Belgium					
BEL20(1/1/91)	1764.62	1771.10	1761.39	1771.10 22/5	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u)	58815.0	58020.0	58815.88 22/5	43901.80 2/1
Canada					
Metals Minls♣(1975)	(u)	5436.03	5438.67	5824.80 8/5	4887.47 16/1
Composite♣(1975)	(u)	5239.90	5238.30	5239.90 22/5	4739.70 15/1
Portfolio§§(4/1/83)	(u)	2584.17	2581.24	2584.17 22/5	2327.39 12/1
Chile					
IGPA Gen♥(31/12/80)	(u)	5520.47	(c)	5804.33 8/1	5215.28 8/4
Denmark					
Copenhagen SE(3/1/83)	405.49	403.30	403.05	405.49 23/5	368.40 2/1
Finland					
HEX General(28/12/90)	2022.14	2018.59	2017.29	2026.34 20/5	1851.57 10/1
France					
SBF 250(31/12/90)	1444.26	1439.36	1451.51	1463.86 30/4	1258.16 2/1
CAC 40(31/12/87)	2114.45	2103.49	2129.71	2148.79 30/4	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	904.63	902.80	901.99	904.63 23/5	818.56 2/1
Commerzbank(1/12/53)	2599.40	2593.50	2593.80	2601.90 23/4	2378.20 2/1
DAX‡(30/12/87)	2560.46	2556.87	2570.78	2579.78 21/5	2284.86 2/1
Greece					
Athens SE(31/12/80)	915.33	917.06	917.47	1017.96 4/3	881.93 29/4
Hong Kong					
Hang Seng(31/7/64)	11030.84	11082.79	11086.77	11594.99 15/2	10204.87 2/1
India					
BSE Sens.(1979)	3683.59	3685.85	3671.95	3869.87 24/4	2828.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	617.32	616.39	617.29	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2538.10	2544.59†	2547.29	2547.29 21/5	2234.81 2/1
Italy					
Banca Comm Ital(1972)	668.18	666.20	668.53	674.10 20/5	572.21 23/3
MIB General(2/1/95)	1132.0	1129.0	1134.0	1142.80 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	21724.08	21958.00	22091.74	22282.85 24/4	19734.70 13/3
Nikkei 300(1/10/82)	306.88	311.04	312.23	318.06 28/4	284.48 11/3
Topix(4/1/68)	1682.10	1693.12	1689.30	1718.00 26/4	1524.12 13/3
2nd Section(4/1/68)	2217.88	2239.03	2235.78	2243.28 2/5	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1141.54	1140.40	1146.08	1189.54 30/4	983.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3352.88	3342.71	3352.88 22/5	2736.38 8/3
Netherland					
CBS TtlRtnGen(End 83)	642.1	638.2	638.1	642.10 23/5	539.80 2/1
CBS All Shr(End 83)	381.2	378.9	378.9	381.20 23/5	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2074.47	2085.51	2087.2	2203.06 4/1	2044.71 24/1
Norway					
Oslo SE(Ind)(2/1/83)	1419.97	1412.05	1417.91	1444.72 29/4	1259.88 30/1
Philippines					
Manila Comp(2/1/85)	3196.25	3155.97	3126.97	3198.25 23/5	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1888.89	1885.59	1885.44	1888.89 23/5	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	579.82	574.94	573.12	610.37 5/2	558.89 2/1
South Africa					
JSE Gold(28/9/78)	1975.2♥	1932.2	1948.3	2028.90 17/5	1346.40 2/1
JSE Indl.(28/9/78)	7750.8♥	7738.6	7740.2	8739.30 25/1	7723.20 20/5
South Korea					
KoreaCompEx(4/1/80)	918.11	924.00	919.88	986.84 7/5	838.87 13/3
Spain					
Madrid SE(30/12/85)	362.84	361.71	363.95	363.95 21/5	323.76 11/1
Sweden					
AffarsvarldnGen(1/2/37)	2004.5	1995.7	1996.5	2005.60 20/5	1786.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1717.76	1720.43	1741.41	1779.54 28/4	1518.19 17/1
SBC General(1/4/87)	1213.74	1213.95	1226.52	1258.89 26/4	1114.47 26/1
Taiwan					
Weighted Pr.(30/6/66)	5790.76	5732.89	5729.48	6182.70 29/4	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	1285.33	1266.52	1290.59	1415.84 6/2	1247.79 13/3
Turkey					
Istanbul Comp.(Jan 1986)	63613.1	63381.5	65224.6	72086.80 8/4	38778.30 2/1
WORLD					
MS Capital Intl(1/1/70)	778.5*	780.3	779.7	779.70 21/5	725.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1690.78	1687.92	1696.84	1696.84 21/5	1504.46 11/1
Euro Top-100(26/6/90)	1443.32	1444.97	1456.23	1458.28 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	376.13	376.51	383.18 16/4	344.19 2/1
ING Bings Emrg(7/1/92)	162.08	161.73	162.24	164.14 14/5	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
May	2107.0	2109.0	+15.0	2115.0	2097.0	15,229	29,598
Jun	2085.5	2088.0	+14.5	2094.0	2078.0	2,329	32,018
DAX							
Jun	2580.0	2547.0	-5.0	2571.5	2544.5	25,490	-
Sep	2580.0	2565.5	-4.5	2587.0	2566.0	156	-
OMX							
May	1575.75	1572.00	+7.00	1581.75	1571.25	5,755	9,479
Jun	1576.00	1572.75	+9.00	1582.75	1572.00	3,891	14,108
SOFFEX							
Jun	3537.9	3528.0	+5.0	3547.0	3523.0	4,113	23,450
Jul	3542.0	3530.5	+8.4	3542.0	3533.4	11	2,967

- Sat May 18: Taiwan Weighted Price 6021.18; Korea Comp Ex 928.80. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: May 23 - 2548.55 -2.24.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	May 22	May 21	May 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5778.00	5736.26	5748.82	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.75	101.84	101.65	108.89 (14/2)	101.19 (8/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2296.20	2279.65	2267.59	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	215.41	212.48	212.27	234.00 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5803.49 (5784.63) Low 5687.87 (5698.21) (Theoretical♣)
Day's high 5782.07 (5759.16) Low 5715.58 (5731.46) (Actual♣)

Standard and Poors	May 22	May 21	May 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	678.42	672.76	673.15	678.42 (22/5)	598.48 (10/1)	678.42 (22/5/96)	4.40 (1/6/32)
Industrials♥	806.72	800.75	802.46	806.72 (22/5)	702.07 (15/1)	806.72 (22/5/96)	3.82 (21/6/32)
Financial	68.11	67.25	67.10	68.66 (6/3)	58.67 (10/1)	68.56 (6/3/96)	8.64 (1/10/74)
NYSE Comp.	363.69	361.05	361.09	363.69 (22/5)	321.41 (10/1)	363.69 (22/5/96)	4.46 (25/4/42)
Amex Mkt Val	614.99	612.23	609.36	614.99 (22/5)	529.05 (18/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1247.36	1244.42	1248.11	1248.11 (20/5)	988.57 (15/1)	1248.11 (20/5/96)	54.87 (31/10/72)

■ RATIOS

	May 17	May 10	May 3	Year ago
Dow Jones Ind. Div. Yield	2.17	2.20	2.21	2.54
	May 22	May 15	May 8	Year ago
S & P Ind. Div. yield	1.83	1.86	1.92	2.21
S & P Ind. P/E ratio	22.71	21.98	21.26	18.77

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Saks Hldg	11,830,800	34¾	+9¾
Micron Tech	6,934,600	31⅛	-1¼
Wal-Mart	6,445,800	25¼	+½
Coca Cola	5,761,100	47⅝	+⅜
Tel Brasiel	5,416,400	61¼	+1⅝
LSI Logic	4,260,600	33	-2⅜
Merck & Co	4,051,100	63	-⅛
Comp Ass	3,875,800	75	-5
Loral Space	3,837,100	17¼	+⅞
Tel De Mex	3,496,100	34⅞	+½

■ TRADING ACTIVITY

● Volume (million)

	May 22	May 21	May 20
New York SE	423.655	404.580	388.127
Amex	29.301	27.978	24.46
NASDAQ	711.652	710.485	608.259
NYSE			
Issues Traded	3,147	3,180	3,155
Rises	1,306	1,144	1,310
Falls	1,011	1,231	1,011
Unchanged	830	785	834
New Highs	178	197	195
New Lows	16	15	8

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	680.90	682.60	+1.70	682.85	680.40	66,912	177,546
Sep	-	696.70	-	-	-	2,386	19,592

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	22060.0	21840.0	-110.0	22060.0	21640.0	25,870	276,106
Sep	22080.0	21870.0	-170.0	22130.0	21720.0	12,260	41,200

Open Interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, May 23, 1996

	Stocks Traded	Closing Prices	Change on day
Kanematsu Corp	15.2m	660	+59
Fujitsu	4.9m	977	-23
Nippon Soda	4.4m	845	+15
Mitsubishi Hvy	4.2m	922	-24
Toshiba Corp	4.0m	756	-16
Sogo	3.9m	645	+61
Kawasaki Steel	3.8m	394	-3
Nagasakiya	3.7m	1010	
Ishihara Sgyo	3.7m	410	+3
Joyo Bank	3.5m	650	+10

4 pm close May 23

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
23¾	19⅛	AAR	0.48	2.1	26	464	23⅛	22⅛	22⅞	-⅛
48⅛	36⅜	AMP	1.00	2.4	21	3243	43⅛	42½	42½	-⅝
97½	68	AMR			23	5092	95¾	94¾	94⅞	-1⅞
50½	37⅜	ASA x	1.80	4.1	29	292	44⅝	44¼	44¼	-⅜
44¾	38⅛	AbbtL	0.96	2.3	18	13946	42⅛	41	41½	-½
17¼	13⅜	Abitibi Pr	0.40	2.8	7	410	14¼	14⅛	14⅛	
36	27	ABM Ind	0.70	2.0	18	4	35¼	35¼	35¼	
17⅛	13⅞	Acptocain			43	284	17	16⅝	16⅝	
50⅜	37¾	ACE Ltd	0.56	1.2	11	2520	48	46⅝	48	+1⅛
9⅞	9⅛	ACM Gvt In	0.80	8.2	6	383	9¾	9⅝	9¾	
7⅞	6¾	ACM GvOpp	0.57	8.3		182	7	6⅞	6⅞	
7¼	6¼	ACM Gvt Sp	0.66	10.4		106	6½	6⅜	6⅞	
9⅛	8¼	ACM Gvt Se	0.80	10.6		200	8⅝	8½	8½	-⅛
9½	8¾	ACM Man	0.90	9.9		138	9⅛	9	9⅛	
30¾	16½	AcmeClv	0.52	1.7	7	345	30⅛	30	30⅛	-⅛
13⅞	8⅛	Acme Elect			63	239	12⅛	11½	11½	-⅝
32½	27¾	Acordia	0.72	2.3	19	9	31⅞	31¾	31⅞	
21⅞	12	Acuson			66	351	20⅛	19⅜	19½	-⅜
19½	18⅜	Adams Expr x	1.66	8.7	0	51	19¼	19⅛	19⅛	
21¼	16⅛	AdvMic			7	7244	17¾	17⅛	17⅝	
11⅛	8½	Advest Grp	0.16	1.5	7	28	10⅞	10¾	10⅞	+⅛
26⅛	9⅛	Advo Inc	0.10	0.9	60	190	11	10¾	10⅞	
50⅜	41⅛	Aegon	1.23	2.5	15	19	49¼	49	49¼	-⅜
[illegible]										

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
[illegible]										
46⅝	43	BA Bostn P x	3.00	7.0		10	43½	43⅛	43⅛	-¼
55⅛	43½	BankNY	1.60	3.1	11	4444	53¼	52	52⅜	-⅜
23¾	19¼	BTM ADR	0.07	0.3	175	98	23	22¾	22⅞	-⅜
51	45	BankAm A x	3.25	7.0		15	46⅞	46½	46½	-¼
93	82¼	BankAm B x	6.00	7.2		z100	83⅞	83⅞	83⅞	+⅛
77½	61	BnkTst	4.00	5.3	13	7849	77	75	75¼	-2⅛
51	42	Bclays	1.06	2.2	9	56	48	47⅝	48	
37⅜	29½	Bard (C R)	0.64	1.9	21	1080	34¼	33⅝	34⅛	+⅛
51⅞	35	Barnes Grp	1.80	3.6	12	45	51½	50⅝	50⅝	-⅞
64⅜	55¼	BarnBk	2.16	3.4	11	965	63½	62½	62⅞	-⅜
32⅞	26⅝	BrckGd	0.12	0.4	39	8161	31¼	30¾	30¾	-½
19⅝	14⅜	BarryRG			19	255	19⅛	18¾	19	+⅜
11⅝	8½	BattMt	0.05	0.6	875	3049	8⅞	8¾	8¾	
42¼	36⅛	Bausch	1.04	2.5	21	836	u42½	42	42	
47½	39¾	Baxter	1.21	2.8	18	8095	44⅜	43¾	44	-⅝
43⅜	26	BayNtwks			28	34302	32	30⅞	31	-¾
29⅞	26½	Bay St Gas x	1.54	5.7	12	132	27¼	26⅞	26⅞	-¼
40⅞	23¾	BBN			9	434	29	28⅜	28⅝	-⅛
22¾	20⅛	Bd Tr 1638	1.56	7.6		10	20¾	20⅝	20⅝	-⅛
8½	7¾	BEA IncFd	0.72	8.9		100	8⅛	8	8⅛	+⅛
9⅜	8½	Bea Strat	0.81	9.3		19	8⅞	8¾	8¾	
24⅝	17¼	Bear Stns x	0.57	2.3	8	1634	u24⅞	24½	24½	-⅛
44½	41	BearStPIA	2.75	6.4		3	42¾	42¾	42¾	-⅜
33¾	24	Bearings x	0.56	1.9	16	75	30⅛	29¾	30	+¼

Section headings: - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -

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Continued on next page

NYSE PRICES

4 pm close May 23

Continued from previous page

42½	Wilkes	1.38	2.6	20	1328	52¼	51½	52 +⅛
5⅜	Wilshire	0.07	1.2	11	152	5¾	5⅝	5¾
6⅞	Windmere	0.20	1.5	121	1934	u13⅞	12⅛	13⅞ +1½
31	WinnDx	0.90	2.6	20	534	35¼	34⅞	34⅝ -1
6⅞	Winnebago	0.40	3.9	11	722	u10⅜	10⅛	10¼ +⅛
26	WiscEn x	1.52	5.3	13	820	28¾	28½	28½ +⅛
11	WiserO	0.12	0.9	53	31	13⅝	13⅜	13⅜ -¼
29⅛	Witco Corp	1.12	3.3	19	866	34⅝	33¾	33⅞ -⅝
23¾	WMC ADR	0.71	2.4	31	25	29⅜	28¼	29⅜ +⅜
27¾	WMX T	0.64	1.8	24	10212	35⅛	34¾	34¾ -½
23¾	Wolverine	0.16	0.5	23	234	33⅝	32⅞	33¼ -⅛
9⅜	Woolwth	0.60	2.8	27	5174	u21⅞	21½	21¾ -⅛
17⅛	World Wide	0.10	0.5		33	21	20⅞	21 -⅛
6⅝	Worldcorp			2	67	6⅞	6¾	6⅞ -⅛
31	WPS Re	1.86	5.9	12	102	31⅞	31¾	31¾ +⅛
49	Wrigley	0.68	1.3	27	743	54¼	52⅜	52¾ -1¾
27⅞	Wyle Labor	0.32	0.8	13	518	42¾	41⅞	42½ +⅝
18	Wynns Int	0.40	1.4	15	179	28	27⅝	27⅝ -⅝

- X - Y - Z -

119⅞	Xerox	3.48	2.2	41	3648	160	158¾	158⅞ +1
39¾	Xtra Corp x	0.72	1.5	16	368	47	46⅞	46⅝ +½
21¼	Yankee Egy	1.26	5.7	12	23	22⅛	21⅞	22 +⅛
43⅞	York Int	0.36	0.7	23	1878	u53½	53⅛	53½ +¼
3	Zapata	0.14	3.9	8	20	3⅝	3⅝	3⅝
5⅞	ZnithEl			6	10078	13½	12⅝	12¾ -¾
21⅛	Zenith Nat	1.00	3.8	37	38	26½	26⅜	26½
6½	Zeolx Inc	0.72	10.5		203	6⅞	6¾	6⅞ -⅛
15⅛	Zero	0.12	0.6	17	151	19¼	19⅛	19⅛
19⅝	Zurn Ind	0.40	1.9	15	185	20⅞	20⅝	20⅝
10⅝	Zweig Fund	1.12	10.1		114	11⅛	11	11⅛
8½	Zweig Totl x	0.84	9.9		212	8⅝	d8½	8½ -⅛

Price data supplied by Telekurs

...highs and lows for NYSE reflect the period from Jan 1 1996. ...otherwise noted, rates of dividend are annual disbursements based on ...last declaration. Sales figures are unofficial. ...new yearly low. P/E price-earnings ratio. s/e-sales. u-new yearly high. ...dividend or ex-rights. yld-yield. z-sales in full. ...lings suspended.

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NASDAQ NATIONAL MARKET

4 pm close May 23

AMEX PRICES

4 pm close May 23

AMERICA

Vinik move, bond declines hit equities

Wall Street

US shares were mixed in mid-session trading yesterday following a decline in the bond market and news that Mr Jeffrey Vinik of Fidelity Investments was to step down as manager of the largest mutual fund in the US, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 9.23 at 5,768.77 and the American Stock Exchange composite had eased 0.04 to 612.19, but the Standard & Poor's 500 managed a small gain of 0.77 at 679.19. Volume on the NYSE was light at 252m shares.

Bonds exerted downward pressure on the market as they gave back some of the week's strong gain.

Trading on both markets was expected to be quiet for the rest of the week as investors set positions ahead of the three-day weekend.

US financial markets will be closed on Monday in observance of Memorial Day.

Technology shares were mixed, with the Nasdaq composite, which is weighted towards the sector, ahead 4.02 at 1,251.40 and the Morgan Stanley high-technology 35 index 0.3 per cent firmer, while the Pacific Stock Exchange technology index was also 0.3 per cent stronger.

The two largest technology companies on the Nasdaq, by market capitalisation, were both stronger. Microsoft added $1⅛ at $118¾ and Intel was $1¼ ahead at $71¾.

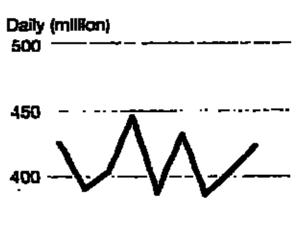
One trader at a leading US broking house said that he saw very little reaction in the overall market to the news from Fidelity.

But shares in Mr Vinik's Magellan Fund were mostly lower in early trading amid fears that a new manager of the Magellan Fund, which had a net asset value of $56bn at the end of March, would reallocate the holdings of the fund. So far this year, the Magellan Fund had underperformed the market.

As of March, the top 10 holdings of Magellan were: Chrysler, off $⅝ at $67⅝, General Motors, $⅝ lower at $56, Caterpillar, which shed $1⅞ to $67⅞, Digital Equipment, falling $1⅛ to $53; Deere & Co was off $1 at $41⅞, CSX slipped $⅜ to $51⅜ and Conrail receded $⅞ to $51⅞.

Meanwhile, Exxon had added $⅞ at $88⅞, Columbia/HCA was $⅜ stronger at $54⅝ and Royal Dutch Petroleum was up $⅛ at $152⅝.

NYSE volume



Canada

Toronto looked for strength in base metals and oils, but got very little in either as the broad market eased with New York. The TSE 300 composite index shedding 4.45 points to 5,235.41 by 1 pm local time.

At that point, metals and minerals were off 8.54 at 5,427.49 and the oil and gas sector was just 5.21 higher at 5,151.27.

Overall trading volume had risen from 50.06m shares to 58.17m.

Hudson's Bay, following a spring recovery but still at the weak end of its 1995-96 trading range, slipped 10 cents to C$19, with its first-quarter loss inflated to 91 cents a share by a 62 cents a share restructuring charge.

Mexico takes profits

Mexico City had fallen back in midsession trading following the market's climb to a record close on Wednesday. The IPC index was off 22.93 at 3,329.96.

The market had been rising over the first few days of the week as domestic interest rates moved lower.

SAO PAULO was also in retreat as the market reacted with disappointment to a defeat of the government's social security reform package on Wednesday. The Bovespa index had receded 958.51 to 55,857 by noon.

Analysts commented that the defeat of the social security amendments had come as a surprise.

CARACAS was building yet another record high, helped by strong foreign interest. By midday the IBC index was ahead 106.65 or 2.5 per cent at 4,308.25.

BUENOS AIRES was slightly lower by midday, but some brokers were expecting a rally later in the session following the release of the first year-on-year rise in monthly industrial production since March 1995. The Merval index was down 4.63 at 608.50.

S African industrials volatile

Industrial stocks in Johannesburg had another day of volatile trading in a session characterised by futures-driven trade. In addition the weakness of the rand spread nervousness through the market.

The industrials sector began the session on the downside but began to move forward as technical factors began to exert an influence.

Some dealers suggested that volatility in the futures market, for the third day so far this week, had been caused by fears about a possible increase in interest rates.

The overall index closed 18.2 ahead at 6,671.0, industrials made a net 12.2 to 7,750.8 and the gold shares index gained 43 at 1,975.2, helped by the weak rand.

Among leading issues, Richemont rose R2.50 to R64.50. Lonrho put on 20 cents at R12.50 and Amgold strengthened R8 to R430, but Iscor relinquished 6 cents at R3.43.

EUROPE

BolsWessanen drops 10% after profits warning

BolsWessanen tumbled 10 per cent in **AMSTERDAM** after the foods and drinks group issued a profits warning. The broader market, meanwhile, encouraged by external factors, hit its fifth consecutive record high.

The AEX index was ahead 2.49 at 563.80, after an intra-day high of 565.19.

BolsWessanen, down Fl 3.60 to Fl 30.90, but up from a session low of Fl 30.00, forecast that operating profits for the first six months of the year would be between 20 to 25 per cent *down from the same period last year.*

Mr Paul Deacon at Goldman Sachs in London, who initiated coverage on the company this month with an "underperform" rating, believed that relative to other multinational competitors the stock valuation was "not compelling".

He felt that there were few attractions to be found in the group's portfolio: for instance, the US dairy business was low growth and commodity based, while the European counterpart was focused on cheese, which was also having a problem in delivering growth.

"BolsWessanen's weak market positions in unappealing product categories leave the group open to pricing pressure from competitors and increasingly concentrated retailers," said Mr Deacon. As a consequence, and with a management which appeared not to be focused on return on total capital employed, earnings growth was expected to be significantly slower than its international competitors, he added.

FRANKFURT, as on Wednesday, sought the high ground but failed to retain it, the Dax index sliding to close at an Ibis-indicated 2,546.55, off 2.24, after a high of 2,569.50.

Once again, too, there was action in laggard sectors, yesterday's winner being construction, with Bilfinger & Berger up DM33.50, or 5.6 per cent, at DM634, Philipp Holzmann gaining DM18, or 3.6 per cent, at DM512 and Hochtief DM19 better at DM664.

Mr Jens Wiecking at Merck Finck in Düsseldorf was not comfortable with this. There had been some hopes of a rally, he said, but the quality of the winners had been poor: he bracketed consumption counters such as Wella, Hochtief and, until very recently, Henkel with the construction stocks in this category.

"This shows that the market has been struggling to form new all-time highs," maintained Mr Wiecking. "Bond market performance has not been good enough, and foreign investors not active enough."

He expected the market to consolidate at this level, and sector rotation to continue.

PARIS closed the May account with turnover soaring to FFr10.5bn as a number of block trades were crossed. The CAC-40 index put on 10.96 to 2,114.45. Block trades were reported in Elf Aquitaine and Total, with the former rising FFr1.70 to FFr389.70 and the latter up FFr5.80 at FFr359.

But the session's leading gain was seen in Dassault Aviation, whose stock soared FFr59 or 10 per cent to FFr639, as speculation mounted that a merger with Aerospatiale would go ahead, perhaps as early as this summer.

In contrast, Docks de France, the retailer, fell FFr60 or 5.4 per cent to FFr1,050 as further worries emerged about the company's future direction.

MILAN consolidated, investors searching for direction. The Mibtel index fell 17 to 10,603 as the Comit index rose 1.98 to 668.18. Turnover was a moderate L615bn.

Dealers felt that the address by Mr Romano Prodi, the new prime minister, after the market had closed on Wednesday had been well received, but that it was broadly in line with expectations.

Fiat, up L40 to L5,425, remained a feature following the announcement earlier in the week that it would dispose of non-strategic assets.

Cir, the De Benedetti holding company, gained L42 to L1,012 as further reports surfaced that it might sell its stake in Valeo, the French producer of automotive components.

ZURICH, similar to Frankfurt, surrendered early gains and the SMI index slipped into negative terrain shortly before the bourse closed, ending 2.6 lower at 3,547.4.

However, it had its strong points: Winterthur registered climbed SFr16, or 2.2 per cent, to SFr734 after the insurer reported good business in the first four months of 1996 and forecast double-digit growth for 1996; and, in retailers, Globus certificates put on SFr27 at SFr742 on an upbeat reading of the company's prospects.

MADRID's general index rose 0.93 to 362.64, the oil major Repsol recovering well after recent sharp losses with a gain of Pta60 to Pta4,460. Turnover was Pta37bn, Repsol taking the largest individual share.

STOCKHOLM's Affärsvärlden General index broke through 2,000 for the second time this week, closing 8.8 higher at 2,004.5. Astra celebrated its New York listing, hitting SKr322.50 before closing SKr2 up at SKr318.50. Forestry fans, looking for positive news, moved the sector up by a percentage point on the coated fine paper price rise by SCA.

COPENHAGEN, too, moved on Astra, Novo Nordisk gaining DKr16 at DKr794, although the Danish biotechnology and drugs group was also lifted by the strong dollar. The KFX index rose 0.95 to a new 1996 high of 115.52.

WARSAW fell 3.2 per cent and many analysts felt that there was likely to be more downside before bargain hunters entered the market. The Wig index lost 398.3 to 12,015.2 as turnover shrank by 9.2 per cent to 109.1m zlotys.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

May 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1694.98	1694.84	1693.65	1693.92	1693.30	1693.07	1691.13	1690.78
FT-SE Eurotrack 200	1733.06	1731.31	1731.18	1730.27	1729.05	1728.83	1723.67	1726.13

	May 22	May 21	May 20	May 17	May 16
FT-SE Eurotrack 100	1687.92	1686.84	1699.84	1680.34	1682.03
FT-SE Eurotrack 200	1728.13	1740.29	1733.46	1727.37	1724.84

Base value 1000 (26/10/90) Highday: 100 - 1695.75; 200 - 1734.35 Lowday: 100 - 1686.52 200 - 1723.67 † Partial.

EUROPEAN EQUITIES TURNOVER

Monthly total in local currencies (bn)

Bourse	Jan 1996	Feb 1996	Mar 1996	Apr 1996	US $bn
Belgium	121.73	129.54	155.80	126.48	4.01
Denmark	37.60	29.68	35.16	39.05	6.61
Finland	14.48	16.48	15.51	15.88	3.27
France	209.73	213.09	229.58	162.75	31.45
Germany	230.49	178.69	274.53	187.73	109.41
Italy	55,220	55,076	43,380	58,992	37.73
Netherlands	54.20	57.20	50.90	51.40	29.96
Norway	41.59	41.00	45.20	39.13	5.95
Spain	1,816.90	2,050.40	1,884.26	1,653.21	12.99
Sweden	136.00	158.40	144.78	190.06	27.97
Switzerland	47.30	33.42	57.93	44.50	35.76
UK	64.19	82.31	88.21	63.25	94.84

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

European bourse turnover came back 17.2 per cent in April from the peak levels of March, but still beat April 1995 by an "enormous" 78.4 per cent, says Mr James Cornish of NatWest Securities, which produces the figures. Share prices on the Continent were up 3.5 per cent overall, but in Germany the gain was only 0.2 per cent in spite of a 5.8 per cent rise in the dollar against the D-Mark over the month, and the Bundesbank rate cut on April 18. German turnover fell by 38.9 per cent, in distinct contrast to a 36 per cent leap in Italy. Seaq International, the London screen-based trading system, did even better, with Italian volumes up by 65.9 per cent: this suggested strong international buying, says Mr Cornish, as shares jumped 13.2 per cent on prospects of a stable and fiscally orthodox government.

ASIA PACIFIC

Nikkei pressured by semiconductor demand worries

Tokyo

Reports of a decline in demand for semiconductors depressed confidence, and the Nikkei average fell 1.1 per cent, *writes Emiko Terazono in Tokyo.*

The 225 index lost 233.92 to 21,724.08 after touching 21,631.83 and 22,014.87. The overnight rally on Wall Street failed to support sentiment and a decline in futures prompted arbitrage linked selling.

Reports of flagging demand for semiconductors triggered selling in semiconductor related stocks, while reports of Sumitomo Bank's Y100bn convertible bond issue further weighed on sentiment.

Volume was 369m shares, against 417m. Domestic investors remained inactive, while overseas investors sold high-technology issues. Individuals and brokerage dealers actively traded Kanematsu, the trading house.

The Topix index of all first section stocks fell 21.02, or 1.2 per cent, to 1,662.10 and the Nikkei 300 shed 4.16, or 1.3 per cent, to 306.88. Declines led advances by 863 to 222, with 136 issues unchanged.

In London the ISE/Nikkei 50 index eased 2.64 to 1,451.83.

Semiconductor related stocks were sold on reports that the price of 16 megabit dynamic random access memory microchips for large lot users would fall below Y2,000. Advantest fell Y250 to Y4,610 and Toshiba lost Y18 to Y756.

Hitachi was down Y20 to Y1,010 on reports that it would suspend plans to increase semiconductor production.

Sumitomo Bank dropped Y70 to Y2,020 on reports of its CB issue in the Eurobond market next month. The company failed to confirm the report, but investors were discouraged by the possible increase in supply. Other banks were also lower, Sanwa Bank losing Y50 at Y2,000 and Bank of Tokyo Mitsubishi Y40 at Y2,450.

Kanematsu was the day's most active issue, rising Y59 to Y560. Traders said that a classified advertisement in a leading business daily was suspected to be a message from a noted speculative group to another investor. The same advert triggered selling in Mie Bank, traded on the Nagoya stock exchange, which climbed Y38 to Y713, while JMS, a disposable medical supply maker, added Y110 at Y1,220.

Large-capitalisation stocks suffered profit taking, with Nippon Steel retreating Y9 to Y364 and Mitsubishi Heavy Industries losing Y24 to Y922.

In Osaka, the OSE average fell 291.23 to 23,101.72 in volume of 40.1m shares. Nintendo, the video game maker, weakened Y420 to Y7,950.

Roundup

Hopes of a post-bourse cut in interest rates took **TAIPEI** up by a percentage point. The weighted index rose 57.77 to 5,790.76, before the central bank announced, after the close, that it is to lower the rediscount rate by 25 basis points to 5.25 per cent from today. However, there was some disappointment that the bank had decided not to cut bank reserve requirements. Turnover came to T$36.4bn.

Sentiment was lifted further after the Securities and Exchange Commission said that it planned to draft regulations which would enable listed companies to trade in foreign currencies.

Active issues included Yageo, a manufacturer of resistors, up by the daily permitted 7 per cent limit to T$39.50 on news that it had acquired Deutsch Vitrohm, of Germany, for planned expansion into Europe.

BANGKOK surged in the afternoon as the market broadly welcomed the resignation of five of Prime Minister Banharn Silpa-archa's cabinet ministers. The SET index added 18.81 or 1.5 per cent at 1,285.33 in turnover of Bt7.7bn.

The five ministers included the deputy finance minister who, analysts said, had largely failed to win the confidence of the business community.

Financial issues rebounded after investors were reassured that a spate of problem loan-related rumours, which had affected the sector on Wednesday, were unfounded.

The finance sector advanced 2.6 per cent in turnover of Bt1.7bn. Finance One put on Bt4 at Bt140 and Dhana Siam moved forward Bt5 to Bt148. Thai Farmers Bank softened Bt1 to Bt192.

MANILA's expectations of a robust economic growth report by the end of the month took the composite index up 40.28, or 1.3 per cent, to 3,196.25 in about 10bn shares traded worth 4.845bn pesos. SM Fund B jumped by 30 centavos, or 10.2 per cent, to a year's high of 3.25 pesos on speculation that its planned conversion into a property holding and development company was imminent.

HONG KONG blamed switching of index futures positions as the Hang Seng index shed 51.95 to 11,030.84 in virtually flat turnover of HK$4.21bn.

HSBC Holdings fell HK$1.50 to HK$114.50 and Hang Seng Bank HK$1 to HK$79.25. Hong Kong Telecom dipped 20 cents to HK$14.90 on late selling by a US house.

SHANGHAI brokers said that a 4 per cent drop in its A share index, down 27.781 at 656.131 after a 6 per cent loss on Tuesday, spilled over into the internationally oriented B shares, where domestic investor selling took that index down 0.280 or 0.6 per cent to 49.667.

SEOUL faced institutional selling of blue chip industrials as the composite index fell 5.89 to 918.11. Samsung Electronics, hit hard by falling world semiconductor prices, finished at a new 1996 low of Won75,200, down Won4,800.

KARACHI saw speculative buying of leading issues, with sentiment remaining mixed. The KSE 100-index rose 15.83, or 1 per cent, to 1,701.80.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 22 1996								TUESDAY MAY 21 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	204.49	0.0	200.77	138.25	163.59	171.66	0.1	4.26	204.41	200.23	138.34	163.82	171.43	212.18	162.68	166.67
Austria (25)	190.46	1.0	186.99	128.76	152.36	152.32	0.8	1.84	188.65	184.79	127.67	151.18	151.10	199.28	168.11	186.26
Belgium (27)	212.27	0.8	208.40	143.50	169.80	165.67	0.7	4.02	210.65	206.34	142.55	168.81	164.57	215.81	186.06	191.41
Brazil (28)	171.06	1.2	167.94	115.64	136.84	313.45	1.3	2.07	168.97	165.51	114.35	135.41	309.53	171.06	123.97	147.26
Canada (99)	164.51	-0.1	161.51	111.22	131.60	163.52	0.0	2.33	164.64	161.27	111.42	131.94	163.47	164.64	134.14	138.63
Denmark (30)	294.33	0.0	288.96	198.98	235.45	237.90	-0.1	1.88	294.38	288.36	199.22	235.92	238.27	305.17	274.11	274.11
Finland (23)	192.15	-0.3	188.65	129.90	153.71	191.43	0.2	2.61	192.67	188.73	130.39	154.41	191.00	276.11	171.73	203.42
France (97)	193.70	-0.9	190.17	130.95	154.95	158.38	-1.0	3.02	195.47	191.47	132.28	156.65	159.94	198.39	167.70	180.81
Germany (60)	169.22	-0.3	166.13	114.40	135.36	135.36	-0.5	1.84	169.67	166.20	114.82	135.97	135.97	174.38	149.65	149.65
Hong Kong (59)	434.24	-0.1	426.33	293.57	347.37	431.24	-0.1	3.30	434.51	425.62	294.05	348.22	431.53	451.19	348.81	357.32
Ireland (16)	278.95	-0.4	273.86	188.58	223.15	252.26	-0.2	3.39	280.08	274.35	189.54	224.45	252.73	280.08	220.31	220.31
Italy (59)	83.04	-0.5	81.52	56.14	66.43	96.82	-0.5	2.27	83.48	81.77	56.49	66.90	97.12	84.53	67.22	74.88
Japan (481)	157.38	-0.3	154.51	106.39	125.89	106.39	-0.4	0.72	157.82	154.59	106.81	126.48	106.81	164.68	137.75	146.14
Malaysia (107)	559.06	-0.3	548.87	377.95	447.22	536.84	-0.3	1.66	560.58	549.11	379.36	449.25	538.23	585.09	425.77	516.45
Mexico (18)	1325.65	0.5	1301.47	896.19	1060.45	10704.50	0.4	1.32	1318.94	1291.95	892.57	1057.00	10664.72	1325.65	791.99	1049.64
Netherland (19)	294.02	0.1	288.65	198.77	235.20	231.04	0.0	3.11	293.73	287.72	198.78	235.39	231.07	295.22	238.56	238.56
New Zealand (15)	80.03	0.1	78.57	54.10	64.02	62.22	0.1	4.42	79.95	78.31	54.10	64.07	62.19	85.49	76.26	81.24
Norway (35)	245.03	-0.1	240.56	165.65	196.01	218.35	-0.3	2.07	245.28	240.26	165.99	196.57	220.05	256.75	215.04	215.04
Singapore (44)	413.79	0.7	408.25	279.74	331.01	268.59	0.6	1.42	411.00	402.59	278.14	329.37	266.92	465.21	355.81	395.77
South Africa (45)	352.15	-0.5	345.73	238.07	281.71	335.01	0.1	2.15	353.80	346.56	239.43	283.54	334.84	437.76	338.91	341.04
Spain (37)	177.21	-0.6	173.98	119.80	141.76	172.18	-0.6	3.22	178.24	174.60	120.62	142.84	173.24	179.85	143.30	143.30
Sweden (48)	350.09	-0.5	343.70	236.67	280.05	353.55	-0.1	2.28	351.90	344.70	238.14	282.01	353.93	356.08	253.59	253.59
Switzerland (38)	229.89	-1.0	225.70	155.42	183.90	180.36	-1.1	1.64	232.31	227.56	157.21	186.17	182.35	252.34	187.25	187.25
Thailand (46)	174.50	-1.9	171.32	117.97	139.59	171.42	-1.9	1.82	177.81	174.17	120.33	142.50	174.64	193.95	146.74	160.53
United Kingdom (201)	230.67	-0.9	226.46	155.94	184.52	226.46	-0.7	4.08	232.71	227.95	157.48	186.49	227.95	237.43	208.64	208.64
USA (626)	276.24	0.8	271.21	186.75	220.98	276.24	0.8	2.14	274.20	268.59	185.56	219.75	274.20	276.24	214.23	214.23
Americas (771)	252.40	0.7	247.80	170.63	201.91	212.17	0.7	2.13	250.60	245.47	169.59	200.83	210.65	252.40	196.45	196.67
Europe (715)	207.71	-0.6	203.92	140.42	166.16	184.76	-0.6	3.03	208.99	204.71	141.43	167.48	185.80	211.35	182.24	182.24
Nordic (136)	299.10	-0.4	293.64	202.20	239.26	264.96	-0.1	2.24	300.19	294.04	203.15	240.57	265.22	302.70	244.00	244.00
Pacific Basin (832)	170.21	-0.2	167.10	115.07	136.16	117.63	-0.3	1.16	170.62	167.13	115.46	136.73	118.01	177.01	148.86	155.98
Euro-Pacific (1547)	185.72	-0.4	182.33	125.56	148.57	143.07	-0.4	2.03	186.49	182.68	126.21	149.46	143.89	190.57	166.51	186.82
North America (725)	269.33	0.7	264.42	182.08	215.45	268.67	0.7	2.14	267.41	261.94	180.97	214.30	266.75	269.33	209.55	209.55
Europe Ex. UK (514)	190.01	-0.5	186.55	128.46	152.00	159.81	-0.5	2.46	190.91	187.00	129.19	152.99	160.64	192.67	163.91	163.91
Pacific Ex. Japan (351)	289.99	-0.1	284.70	196.04	231.97	250.01	0.0	3.04	290.17	284.23	196.37	232.54	250.12	296.68	243.59	250.39
World Ex. US (1737)	187.05	-0.4	183.64	126.45	149.63	147.58	-0.4	2.04	187.78	183.94	127.08	150.49	148.16	191.55	167.36	167.79
World Ex. UK (2162)	213.05	0.2	209.17	144.03	170.43	180.27	0.2	1.89	212.64	208.29	143.90	170.41	179.97	213.05	179.23	179.23
World Ex. Japan (1882)	246.47	0.2	241.98	166.63	197.16	234.53	0.2	2.49	245.94	240.91	166.44	197.10	234.02	246.47	202.35	202.35
The World Index (2363)	214.70	0.1	210.79	145.15	171.75	184.63	0.1	2.38	214.49	210.10	145.15	171.89	184.45	214.70	181.82	181.82

Latest prices were unavailable for this edition. PLEASE NOTE: AGF (France) is changing weight to 100%, effective May 28.